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**US MARKETS**

Neocon French President and Zionist Mossad operative Nicolas Sarkozy is a master of disinformation. During the EU meetings on the proposed EU constitution/treaty amendment, Sarkozy made several self-serving statements meant for the ears of the French public, which he knew were non-starters as far as the EU elitist denizens were concerned. He tries to give the appearance that he is a people's man, when he is just another Illuminist lapdog who barks and does tricks at the prompting of the sociopaths who give him his orders. He never misses an opportunity to make political points with jawboning about things that are never going to happen anyway, like trying to allow for government intervention in business instead of having free trade and globalization by sneaking in an amendment that might have allowed for that and which he knew would be rejected. And now he is up to his old tricks. He says that the dollar should not be made into everyone else's problem and that its fall will touch off trade wars and could cause a sudden unwinding of the carry trade when the yen appreciates due to the dollar's decline. He is making these statements to make it look like he is trying to support French business interests and to protect French workers and their jobs by trying to keep the euro as weak as possible, when he knows full well that a weak euro is not a part of the Illuminati's plans. And never mind that the euro has been far too weak against the dollar for quite some time already, and that his masters are the ones who created the yen carry trade so that they could manipulate stocks, bonds, commodities and currencies, with the latest permutation being yen-hits on gold and silver. As we have mentioned previously, the G-7 meeting has already decided the fate of the dollar, abandoning it so Wall Street can be bailed out, and we are already seeing signs of a yen rampage which is currently being used to hit gold, and which will be used at a later date to kill off the stock and bond markets, finish off the dollar and send precious metals skyrocketing as a safe-haven and store of value for the depression that will follow, all as the Illuminati have planned. These events are already in his masters' plans, and Sarkozy knows it. So now when the dollar tanks, the yen goes wild, the various Illuminist factions start warring with one another and the carnage and trade wars begin, Sarkozy will look like a genius to the French people, having warned them that this is what would happen in the event that his demands were ignored. He will say to everyone: "See, I told you so!"

Remember, the elitists would like to push the stock markets up to a blow-off top so they can bail just ahead of the peak using Project Turquoise, buy precious metals with their filthy lucre, and then tank the markets with a giant, carry-trade-killing yen-hit that will send precious metals and their stocks to the moon and that will cause cataclysmic devastation to countless banks and corporations so that the cartel, stuffed to the gills with illicit profits from stocks and precious metals, can scoop everything up for pennies on the dollar. At the same time as the stock and bond markets crash, the dollar will be allowed to crash along with them, thereby sending gold, which they plan to own by the truckload, into the five figure category. We might also add that they will secretly be short on everything but precious metals when the axe finally comes down.

In addition, the sudden destruction of the dollar will not only send precious metals into outer space, but will also yield gargantuan profits for the evil Illuminists who are now setting themselves up to profit from a dollar carry trade and from shorting the dollar based on inside information of when and how far it will fall at various points in

time. They will set up the dollar carry trade and dollar shorts in secret using foreign banking subsidiaries and off-shore accounts, and attempt, albeit in vain, to use these profits, and the stock and precious metals profits, to bail themselves out of the graves they have dug for themselves in the cemetery for weapons of mass financial destruction, a/k/a derivatives.

At least this is what they have planned and would like to see happen, but gold and silver are now putting them into an unprecedented "hissey fit" and have sent their collective blood pressure into four figures, which by the way, is also where gold will be shortly. This is because they can not move the stock markets up without a weak yen, and a weak yen means $1,000+ gold and $20+ silver, along with a public stampede into precious metals and their stocks that could push gold and silver to their true values in very short order. So the plans of the Illuminati which we have described above are not likely to happen until after the cartel has lost the precious metals battle, and we believe they will have to settle for much higher gold and silver prices than they had wanted because they can not push stocks up without pushing precious metals up also. They cannot have their cake and eat it too, as the old expression goes, by suppressing precious metals while they simultaneously push the stock markets ever higher. They must be rabid and frothing at the mouth on account of the fact that their own greed and avarice in the derivatives markets have made it impossible for them to do this. Everything was going as planned until August, when the adjustable rate resets, mortgage defaults, subprime debacle, derivatives implosion, credit crunch, risk reassessment and lost market confidence, the end products of Greenspan's Folly, started their long march to destroy everything in their path like General Sherman's march through the South during the Civil War. On July 19, the cartel had the Dow at 14,000.91, spot gold at 675.50 and spot silver at 13.24. This past Friday, November 9, we had a tanking Dow at 13,042.74, spot gold at 832.10 and spot silver at 15.48! OOPS!!!

Just as our Founding Fathers foresaw, gold and silver, which are the only legal money authorized by the US Constitution, are the instruments of financial truth, which have now foiled the international bankers once again. Our forebears were absolute geniuses. Oh, and incidentally, we take great pleasure in being able to inform the cartel that even the profits from all these future machinations will not put a dent in their black hole of derivatives losses, which will be in the hundreds of trillions! This black hole of imploded derivatives, most of which are naked and leveraged to the hilt and which have been caused by the gravitational collapse of a myriad of subprime real estate mortgages and various alphabet follies like CDO's and SIV's, will suck in and devour any and all of their ill-gotten gains without so much as a burp! The cartel, as usual, has completely miscalculated their position, and we just cannot wait for the trials and recriminations to start when Ron Paul becomes the next President of the United States.

This is a requiem for the greatest country in history. The game and being at the top of the heap is history. If we are fortunate we will survive as a second-class power. The world has lost confidence and trust with American leadership. Our central bank, our bankers and Wall Street have screwed central banks, banks and professional investors worldwide with the fraud of bonds consisting of CDOs, collateralized debt obligations, and ABSs, asset backed securities. As a result, foreigners are selling dollar denominated assets including the dollar, Treasuries and Agencies. Foreigners have had it up to the eyeballs.

As a result the dollar is at the lowest level in over 26 years, having dropped to almost 75 last Friday. We had predicted the first stage fall would be to 72 to 75. The dollar also has had to contend with higher gold and silver prices in a

manipulated market and higher overall commodity prices for six years. The credit crisis is sending banks, investment banks, mortgage companies and all those who bought CDOs and ABSs into severe losses. There isn't any good news and worse we see no good news ahead either economically, financially or pertaining to our occupation of Iraq and Afghanistan. On the latter, our government and Congress have sold us out. Incidentally, remember that in the primaries when you vote these incumbents out of office. We are a shadow of our former selves in manufacturing as free trade globalization, offshoring and outsourcing rip our economy to shreds. We have already lost more than 5 million jobs under the reign of George II and transnational elitist conglomerates plan to ship out another 40 million jobs over the next 10 years rendering our citizens to a nation of hamburger flippers and 2nd world status. The Fed, our President, our Congress, corporate America and our labor unions have sold us out to internationalist, new world order Illuminists. We are in debt up to our eyeballs, personally, corporate and governmentally. We have allowed unfair free trade, similar to the period between 1790 and 1800, which almost destroyed our young nation, and today again it is economically and financially destroying our nation.

As the dollar falls we have a slowing economy, a real estate collapse, the worst credit crisis since 1930 and the Great Depression, still mounting debt and another in process stock market collapse. If you are in the stock market get out. We've been telling you that for months. Put your 401(k)'s, IRA's and Roth's, etc. into gold and silver coins, shares, funds or at worst money market funds.

Inflation is 11.3% and wage increases over the past 7 years are up in total only 5%. That means you have lost more than 5% of your purchasing power annually. The main reason for this is the unbridled invasion of illegal aliens, which our President and Congress refuse to do anything about. Most of them want to reward these lawbreakers and give them amnesty and eventually citizenship, so they can acquire their votes and profit from their slave labor.

There are tens of thousands empty homes across our nation and homebuilders keep building, because our government lies and tells them everything is going to be all right. They tell them CPI and PPI are under 3% and unemployment is 4.6%, simply ludicrous, and their corporate chieftains believe it. They will catch on eventually. Adjustable rate mortgage owners cannot get new loans. That is more than 60% of them, because lenders have changed the rules and 70% of new buyers are being turned down. Few jumbo loans are being made as credit comes to a virtual standstill. Twenty-five percent of jobs are in construction or related to building and real estate. Close to 500,000 people have already lost their jobs, including more than 300,000 illegal aliens. Most of the illegals are out of work and the rest are in service jobs paying $10.00 an hour or less.

We have a $6 trillion CDO and MBS overhang worth $0.30 on the dollar. We have $2.6 trillion in CDOs and MBS that are ALT-A and subprime. In the latter group 50% plus will go into foreclosure. Some big banks and Wall Street firms are going under unless the Fed props them up, which if they do is very inflationary. Without that we see 15% inflation next year. These CDOs, MBSs and ABSs are rampant throughout the US and world financial system. There are going to be trillions of dollars in losses everywhere, most of which will be in the US. There is no way this catastrophe can be stopped. It can be delayed, but not stopped. The "Debt Bomb" is unraveling. Citigroup and Merrill Lynch are broke and many others will join them. This is going to be a financial bloodbath as inflation goes ballistic and the economy goes into deep recession.

This week FAS157 begins and all securities have to be marked to the market. No more marking to make believe. Recognized losses are already at $50 billion and that is just the beginning. By the next presidential election the Dow will have fallen from 14,000 to 7,268. Contagion will rage in credit and financial markets worldwide, nothing financial will be spared save gold and silver as stagflation reigns. We have prepared you with the truth. Use it to protect yourselves. Get out of debt, prepare for social chaos and have gold and silver related assets. Systemic risk heightens each and every day. This is the big one, much bigger than the 1930s. We are faced with major structural issues plaguing credit and financial markets. The securitization process is dead if for no other reason that banks no longer trust each other and won't lend to each other for more than a week. It is no wonder the elitists have suppressed gold prices since 1988 and for 1-3/4 years the Fed has refused to publish M3, they knew exactly what was coming. Inflation will spiral out of control in 2008 and that spiral will last for 2 to 4 years and then completely collapse. We know this is not a happy story, but we only deal in truth and reality. You should do everything in your power to make sure Ron Paul is elected president and that we can clear all the incumbents in Congress out of office. If we can do that we can survive. If we cannot, it will be chaos.

This is a worldwide problem and inflation is booming worldwide. In the US 11.3%. The following are official figures: Vietnam 14%, Latvia 13%, UAE 9.3%, Russia 9%, Kazakhstan 8.6%, Chile 6.5%, China 6.2%, Romania 6%, Saudi Arabia 4.9% and the Eurozone 2.6%.

Betrayal best describes what US Illuminists have done to other Illuminists worldwide. We do not believe laying off the CDO and ABS problems to their comrades was part of the deal. That was in part why French President Nicolas Sarkozy, who is controlled by the Rothschilds, attacked what US Illuminist interests had done and warned Bush and Congress not to enact tariffs on foreign goods and services. The real estate CDO and ABS fraud was probably the biggest financial scam in history. Now we are seeing a backlash of those deceived are dumping the dollar and in part buying gold and silver. This means banking distress is only beginning and will last for sometime to come. We are about to enter the same trap Japan entered in 1992, and has ever since been in depression. If for no other reason then that they won't purge the system. Japan had the US to help them; the US has nobody – not after what they've done.

If you want a strong signal that recession is upon us consider that truck sales have fallen 30% to 45% each month since March compared to a year earlier. Another signal is that the production index has fallen from 58.3 to 46.9 and new orders fell from 56.2 to 53.9. Recession is in full flower. What else can be expected when we have a net external debt position of between $5.6 and $7 trillion? The reason for the range is that the Treasury and the Commerce Department figures are bogus.

The world should have never allowed the US to pile up the colossal debt that it has. Out of balance are the trade balance, the current account balance and a monstrous fiscal deficit. For 15 years corporations and government have been rolling short term paper. Now consumers are borrowing on credit cards to pay their mortgages and maintain their living standards. American Illuminists refuse to put their financial house in order. They have absolutely no intention of doing so. How could American banks be so dumb as to commit 59% of their capital to real estate loans? Those average houses have fallen from a peak of $262,000 in March to $211,700 in September. This is a 20% drop and we still have 15% to 20% to go. Many of these loans are in negative equity already and hundreds of thousands have

been foreclosed. That means when they are sold the banks lose money, which comes directly out of bank capital. Banks can go bankrupt. That is $2.6 trillion in mortgages. If only half go under that is $1.3 trillion or half of the entire capital in the commercial banking system. You probably were unaware of it, but in August and September companies like Washington Mutual and Countrywide borrowed $163 billion from the Fed. Plus $1.2 trillion in commercial paper is frozen. The banks are lending companies that money as well. The reason is lenders won't lend on commercial paper that is collateralized by CDOs and ABSs. Put the two together and you have a mega liquidity problem. We believe Citicorp and Merrill Lynch have already reached that stage and the Fed is propping them up.

Commercial paper is already down more than $360 billion. The Fed via the banks using fractional banking via the Fed discount window now supplies those funds. It is obvious that the financial system has serious problems and a giant salvage operation is in progress politically and financially. Needless to say, America's problems affect the world. That is because of all the CDO, MBS and ABS's that foreigners have bought and because the US dollar is the world's reserve currency. Financial forces in the US have abandoned the dollar and thus a run is taking place against the dollar. We forecasted this when the dollar was 92 on the USDX. Today it is closing in on 75 with no end as yet in sight.

The bankers' backup fund is on its way in an abbreviated form via Citigroup, P Morgan Chase and Bank of America. We do not at this writing have any details. The fund supposedly will be operating in January. These three banks are going to apparently invite 60 other banks to help cover up their massive losses. Needless to say, the credit will be supplied by the Fed. The banks will say it is their money and, of course, it isn't. The fund would not rescue troubled SIVs, only lead to the more orderly demise. The big troubled banks will be bailed out by other banks as funded and proscribed by the Fed. Again the elitist banks are buying time and short circuiting bankruptcy. This move will create massive inflation. The fund's organizers say it is intended to avoid a severe credit market disruption. We call it a collapse of the financial system. This will allow the SIV's to be sold off piece-by-piece, allowing time for recovery of those assets. This is totally improbable. These assets will never recover. They were in part worthless to start with. The idea that this proposed fund could help thaw the frozen market for asset-backed securities by establishing a ready buyer, even if no SIV uses it, is ludicrous. Few investors will touch this toxic waste – ever. What we are going to see is acceleration in the pace of asset-backed defaults and troubles. This is because the contagion spreads through linked investments, such as CDO's holding asset backed securities. When the structures start to fold, it accelerates very quickly. Banks will be forced to change business models. If people cannot securitize their loans they will stop writing them. That will freeze the entire real estate industry.

This past weekend almost 300 homes were auctioned off in Massachusetts. It was a Countrywide Financial auction. Most homes sold for about 40% off July 2004 prices and most need work.

Real Estate Disposition will sell 1,000 homes in Houston, Dallas, Phoenix and Las Vegas in December. Countrywide, Bear Stearns and Wells Fargo own the houses. Auctions are scenes you will see every month for the next few years.

Countrywide President, Angelo Mozilo, at a presentation at the Milken Institute a few weeks ago said, "He and his company were victims of financial forces beyond their control." He explained that borrowers forced lenders like Countrywide to lower mortgage standards. The industry faced special pressure from minority advocates to help people buy homes.

This is the first admission by a mortgage lender that banks and perhaps the Treasury or the Fed had pressured lenders like Countrywide to relax standards. The minority demands were aided and abetted by politicians. Mozilo stated it is now time for the government to increase loan limits at Fannie Mae and Freddie Mac. Countrywide says it bent over backwards as the largest lender to Hispanics, African-Americans and Asians. As it turns out most of these borrowers should have never received loans. Mozilo decried the practices of competitors in 2005 and 2006, but emulated them to keep and expand market shares. These telltale signs also told Mozilo that all this would end up badly and that is why he ended up selling Countrywide stock. He was assisted in building this dream by Sir Alan Greenspan, then Chairman of the Fed, who extolled the virtues of the ARM, adjustable rate mortgage, and said everyone should have one. This madness was officially sanctioned by the Fed and they supplied a 1% prime rate and 3-1/4% ARM teaser mortgages to make it all happen. Mozilo took full advantage by getting bigger and using vertical integration. That is capturing ancillary business to further fatten profits. Mozilo played the political aspects to the hilt with many connected and well known people joining his board. Mozilo went to the edge and it looks like he may have fallen over.

The SEC is investigating Mozilo for selling his shares into a market where his own firm was the buyer. The company borrowed $1.5 billion in badly needed capital to purchase 38.6 million shares for $39 each. This has been a common practice among executives to enrich themselves at shareholder expense. If the SEC were to find this inappropriate, which it is, then Angelo would have to give the profits back to the company. That could happen, and should happen because he knew exactly what was going on. It will also affect thousands of other executives who did the same thing. There is no more blatant conflict of interest.

Record numbers of homeowners are defaulting on their mortgages and as they do so, questionable practices among lenders are coming to light in bankruptcy courts, leading lawyers to contend that companies instigating foreclosures may be taking advantage of the imperiled borrower, because there is little oversight of foreclosure practices and the fees that are charged, bankruptcy specialists fear that some consumers may be losing their homes unnecessarily or that mortgage services who collect loan payments are profiting from foreclosures.

Bankruptcy specialists say lenders and loan servicers often do not comply with even the most basic legal requirements, like correctly computing the amount the borrower owes on a foreclosed loan or providing proof of holding the mortgage note in question.

Questionable fees have been added to almost 50% of loans in Chapter 13 bankruptcy. The adds were mostly less than $200 each, but collectively they raise millions of dollars for loan servicers at a time when the other side of the business, mortgage origination is in the tank.

One case showed the borrower owing $1 million when in fact he owed $60,000. A judge in Louisiana is considering an award for sanctions against Wells Fargo in a case in which the bank assessed improper fees and charges that added more than $24,000 to a borrower’s loan.

The Chapter 13 trustee in Pittsburg asked the court to sanction Countrywide because they lost or destroyed more than $500,000 in checks paid by homeowners. This was the basis for Countrywide to levy charges on the borrowers, including late fees and legal costs. Countrywide then lied in court. At Countrywide, $285 million came from late fees last year, up 20% from 2005. Late fees accounted for 7.5% of servicing revenue.

These servicers are also hitting borrowers after bankruptcy with fees never filed in court and never approved. The horror stories go on and on – what crooks.

The day of a house being an ATM machine or a piggybank is over. From 2004 through 2006, Americans pulled about $840 billion a year out of residential real estate, via sales, home equity lines of credit and refinanced mortgages. That financed $310 billion a year in personal consumption. In the first half of this year, equity withdrawals were down 15% versus the average for the last 3 years and consumption supported by such funds plunged nearly one-fourth. The size of withdrawals fell even more sharply to about 1/3 below the level of late last year.

Only a year ago, money taken out of houses was still more than 9% of the nation's disposable income. By this fall, it had dropped to about 5%, a difference of about $350 billion a year. We are already in recession. Less equity to draw against and higher food and energy prices are already hurting retailers. A fall of 2% in consumption would be big enough to trigger further recession. Seventy percent to 72% of GDP is by consumers. During this recession we see that revisiting to the long-term norm of 64.5%.

Just as an example of how important consumer spending and equity withdrawals have been in Nevada and California home-equity finance was about 20% of all disposable income at the end of last year. Median prices are now down 15% from the peak and are headed for a 40% to 60% correction. Store sales in Nevada are off 10% to 35%.

We are short Washington Mutual (WAMU) albeit late in the game. We believe WAMU could go under. Their bad loan problems are spreading out of subprime mortgages and into other types of loans. If NY AG Cuomo's allegations are true; WAMU could be holding mortgages on properties that are worth a lot less than its balance sheet says. Credit crunch fears are not going to go away soon, bad loans will keep coming for at least 2-1/2 more years and there are also credit card loans, quality mortgages under pressure and commercial real estate loans now under pressure. Issuers of credit are only beginning to talk about problems in these subprime areas. That puts WAMU and Countrywide both in the soup and that is why we are short.

Consumes borrowing increased in September at the smallest pace in 5 months, up 1.8%; April was 1.6%. Revolving credit, which includes credit cards rose 4.4%, also the slowest since April. Non-revolving such as auto loans, rose 0.3%. Total consumer debt rose by $3.75 billion to $2.48 trillion a sharp decrease from a gain of $15.4 billion in August. The experts were again far out of the money having projected a gain of $8.5 billion.

What the House has proved is that they are perfectly willing to be bought off to hell with their own rank-and-file. In terms of economic consequences the new trade pact with Peru is a non-event. The Democrats again joined the Republicans to defeat the will of their own caucus and their constituents. A House for sale. This is why every incumbent has to be defeated in the primaries. The leadership of Nancy Pelosi is a disgrace and it proves again that the Illuminist money behind the scenes still controls it all. As economic conditions continue to deteriorate the Democrats and Pelosi will have plenty to answer for.

Practically speaking foreign governments can do little to protect their currencies and economies against the fall in the dollar. The dollars current slide as we forecast should base out between 72 and 75 and then face an even more violent correction over the next couple of years. Perhaps over the next year. This correction is reminiscent of 1971 when the dollar lost 40% of its value. This time since 2002 the

dollar has already lost 40% against the Canadian dollar, 33% versus the euro and 24% versus the pound.

Donald Kerr, the principle deputy director of national intelligence says it is time Americans changed their definition of privacy. He believes that the rights of the federal government are far more important than those of the individual.

The King of Spain, a key member of Europe's black nobility told Venezuela's President Hugo Chavez Frias to shut up during a heated exchange last weekend at a summit of leaders from Latin America, Spain and Portugal. Chavez referred to former Spanish PM Jose Maria Aznar as a fascist. We believe Mr. Chavez was correct and from our own personal experiences in Spain we know there was no doubt that Francisco Franco was also a Fascist. Aznar was democratically elected by the Spanish people, but the same was true of Adolph Hitler in Germany.

King Juan Carlos displayed the typical arrogance of an Illuminist in venting his anger against President Chavez. The truth obviously was painful for the King.

It's no wonder the elitists tried to rally the market on Monday and attacked anything of real value. On Wednesday we get the PPI, and on Thursday the CPI and FAS157. The Illuminists have to be trembling. FAS157 forces all firms to mark their level 3 assets to the real market. No more assumptions and fantasy regarding values.

High oil prices are fueling one of the biggest transfers of wealth in history. Oil consumers are paying $4 billion to $5 billion more for crude oil every day than they did just 5 years ago, pumping more than $2 trillion into the coffers of oil companies and oil producing nations this year.

We have just updated our M3 figures, which shows annual growth up from our earlier estimate of 14.3% to 15.1%. That is the largest increase since 1971.

We see continued underreporting of oil import activity, which caused a more favorable statement of our September trade deficit. Our government reports as they wish whether it has any connection to reality or it doesn't.

Barron's referred to "rumors swirling of an informal huddling of Washington and Wall Street heavyweights dubbed the Plunge Protection Team, "that might swoop in with a proposal for pricing debt obligations on bank's books if investors continue to flinch," November 2, 2007, page M4.

The Heard on the Street column says HSBC 3rd quarter report on US business could provide an early insight of what may be in store for US mortgage lenders and banks with large holdings tied to subprime mortgages. They say $1 billion and reserves for another $4.5 billion wiping out 14% of the loan portfolio.

Lehman Bros. has downgraded Fannie Mae and Freddie Mac. Fannie's delinquency trends are worsening in the Midwest, California, Arizona and Nevada.

The good news is that Goldman's ratio of level 3 assets, at 6.9%, is higher than that of Merrill and Citigroup, both of which took writedowns. Some analysts see that 6.9% at 15%.

CIBC has downgraded its rating on big city banks to underweight.

ETrade has been downgraded to sell from hold at Citi. They see client attrition due to CDO exposure, an SEC inquiry and a deteriorating financial condition. If ETrade goes under it could be a month or two before you could access your account and you may not like your new firm. You can use Schwab or you can contact us for alternative brokers.

The issuance of mortgage-backed securities was off 84% in March to October yoy.

Hillary Clinton was recently asked about her attendance at the 2006 Bilderberger meeting. She laughed uncomfortable declaring that she had no idea what they were talking about at Bilderberger meetings since she wasn't there.

However, she did acknowledge that Bill Clinton had attended in 1992, but maintained that she herself had never been.

Insiders at the Brookstreet Hotel in Ottawa claim she attended the 2006 meeting for 1 day.

Hillary had already attended the 1997 Bilderberger meeting in Lake Lanier, Georgia as First Lady.

One of her numerous endorsements is one from Lynn forester de Rothschild, wife of Sir Evelyn Rothschild, whose home in Malibu was a block away from ours.

A Hillary Clinton administration would be a clear continuation of the Bilderberg agenda. Bill Clinton was a member of the Trilateral Commission and the CFR and Bilderberg and both clearly are working towards some variant of world socialism. David Rockefeller endorsed Bill Clinton for president after the 1992 Bilderber meeting. They are both one-worlders and not the friends of Americans.

A year ago we projected that 200 major US lenders would have gone bankrupt or be bought out. For 2007 that figure is 182, so we will at least be close.

The latest 10 are Honor State Bank, Diablo Funding Group, Bank of America (wholesale), First Bank Mortgage, Exchange Financial (wholesale), Liberty American Mortgage (wholesale), South Star Mortgage (wholesale), AMC Lending, Citimortgage Correspondent (2nd), ResMae Mortgage and Edgewater Lending Group.

Wait until the SIV's have to be brought onto balance sheets and FAS 157 and 159 go into affect on Thursday.

Prices for imported goods rose 1.8% in October, the biggest increase since May 2006. Imported petroleum prices rose 6.9%, but prices of other goods gained 0.5%. Export prices rose 0.9% in October, including a 3.9% rise in agricultural prices. Excluding petroleum import prices rose 3.2%. This is a combination of a lower dollar and higher inflation.

Countrywide Financial, one of our shorts, disclosed in a regulatory filing that if its credit ratings fall to junk status, its access to public corporate-debt markets would be severely limited. 4.9% of subprime mortgages are pending foreclosure up from 2.9% yoy.

Redbook retail sales rose 0.3% for the first week of November versus October.

Greg Peters, head of Credit Strategy, at Morgan Stanley says "There is a better than 50% chance that the credit system will come to a grinding halt, because of losses from mortgages."

The world's biggest banks and securities firms have written down at least $45 billion in the value of assets linked to subprime mortgages for the third quarter. SIV investment vehicles have defaulted on debt, forcing lenders including Legg Mason, Inc., and Sun Trust banks to prop up their money-market funds to cushion them from possible losses.

This is why the president's "Working Group on Financial Markets," and the Fed are running the stock market back up. The risk of systemic shock from the current subprime meltdown is quite large in the near term. Half of the commercial paper market is frozen and the banks are forced to lend directly to business. That credit is created out of thin air by the Fed and given to the banks to lend at 8 to 1.

Other factors alone with credit contraction should put fourth quarterly GDP growth at 1.5% and first quarter GDP at -1%. Do not forget anything under 2% for three quarters running is solid recession. These factors will probably force the Fed to further lower interest rates and send the dollar plunging further. This credit crisis is not going to go away anytime soon. The Fed's easing and its 15.1% increase in M3, or money and credit, will guarantee 15% inflation in 2008 up from 11.3% in 2007.

Countrywide Financial's loan fundings in October plunged 48% yoy to $22 billion and subprime loans were virtually nonexistent. Average daily mortgage loan application activity for the month was $1.8 billion, a 34% yoy decrease. The mortgage loan pipeline was $41 billion at October 31st, $20 billion below last year.

The mortgage loan-servicing portfolio continued to grow, reaching $1.47 trillion at the end of the month, up 16% yoy. Banking operations' assets rose to $106 billion from $83 billion.

After rising for two years, the American Consumer Satisfaction index declined 0.1% to 75.2 from the previous quarter. This could bode ill for retail sales during Christmas.

The US mortgage crisis is deeper and scarier than anyone expected, Tony James, President of Blackstone said, as shares in his private equity group fell on news that its revenues had fallen sharply below expectations in the third quarter. They report a lose of $113 million. This is one of our shorts, down from $38.00 to $22.00, since we set the short.

Moody's has put $500 million of complex investments based on credit derivatives for a downgrade. They focused on CPDO's most of which are currently rated AAA, that had been put on review after their net asset values had been hurt by credit-market volatility.

CPDO's are a leveraged bet on a portfolio of credit default swaps – the derivatives that provide a kind of insurance against non-payment of corporate debt. Two of the deals facing downgrades are from ABN, and the other six are from UBS.

Virtually the only economist that has agreed with us on real estate is Robert Shiller, a Yale University economist, and the co-developer of the S&P/Case Shiller Home Price Indices, who now again agrees with us that declines in home values in the most vulnerable markets will double from here. 2008 he says will be worse than 2007. California, Florida, Nevada and Arizona are the most vulnerable.

The ten-city composite index's annual decline of 5% in August was the biggest monthly drop since April 1991. The 20-city index fell 4.4%. They expect 2008 to be down 5% again. He looks for a bottom in late 2008 – we see it in late 2009.

Another of our shorts, Home Depot, reported lower profit and cut its full year earnings forecast after the housing slump reduced sales and lumber and lighting products. They just did a $10.7 billion stock buyback as revenue and profits fell. These are real geniuses and with borrowed money to boot. The shares have fallen 29% this year. They plan a further buyback another $12 billion dollars worth. The home market is collapsing and they opened 25 new stores.

The UAE may drop the dirham's dollar peg to the dollar after the country's central bank governor indicated a weakening US currency was forcing him to rethink its currency policy. In the past three months the dollar has fallen 7.2% versus the euro and 7.4% versus the yen. In May 2007 Kuwait dropped their dollar peg citing dollar inflation.

The Investors Daily and Techno Metrica Market Intelligence said their IBD/TIPP economic optimism index dived to 43.8 from October's 47.3.

The October budget deficit was $55.6 billion, a year ago it was $49.3.

September pending home sales were up 0.2%, the previous number was -6.5%.

Fitch has downgraded $37.3 billion in global CDOs.

The Commercial Mortgage Alert, a trade publication says that the issuance of commercial-mortgage-backed securities fell to $6.3 billion in October, down 84% from the peak record of $38.5 billion in March. The paper adds the sharp construction is particularly concerning when considering that these securities have provided an estimated 40-60 percent of funding for new commercial property purchases in recent years – prices leveled off or even fell in September, after rising 14% in the 12 months through August. We see commercial real estate prices falling 10% to 15% next year. The credit crisis is raising the cost of commercial mortgage borrowing, as the spread on AAA-rated CMBS has more than doubled since June, reaching its highest level since October 1998.

It is becoming very obvious to professionals that government-linked bodies are increasingly providing the funding for home loans and taking on the risk of default. As this trend accelerates the American public won't know what is being done. The US taxpayer will be expected to pay the costs. This is a public funded bailout and the public knows nothing about it.

Contrary to the rumor of more oil production on Monday, the Saudi oil minister Ali Naimi said there will not be any discussion by OPEC officials on the short-term supply and demand dynamics in the oil market at this weekend's Riyadh Summit. The previous announcement was totally bogus, which took oil down $5.00 a barrel and started a major slide.

The US Department of Energy expects the price of gasoline to rise $0.20 a gallon by Christmas If OPEC does not increase production, which they have just said they won't do, then prices could climb higher. They expect December prices to hold through March.

The farm bill before the Senate authorizes about $10 billion in new subsidies, price guarantees and disaster aid in the next decade, as farmers report record profits. The bill is more lavish than the House version and a continuum of a policy to enrich the rich. This is pure socialism for mostly corporations, which is called corporatist fascism.

One new innovation would pay farmers $15 a year for each eligible acre, whether they plant anything or not, while guaranteeing them an additional payment if crop revenues in their state fall short of the norm. Another factor is the runaway growth in the food stamp program – another form of socialism, which is also funded by the bill. The number of recipients has jumped from 19 million in 2002 to 27 million, boosting 10-year cost estimates by $200 billion. These programs are highly wasteful. It is no wonder 1/3rd of American workers do not file with the IRS.

We see a stock market that over the next six to 12 months could easily trade in the Dow are of 9,000 to 10,400. If you are in the general market, not gold, silver and uranium shares, you should consider getting out. There has never been a market with more risk of which none of that risk is priced in. From here on out the affects of FAS 157 and 159 will have a devastating affect on corporate balance sheets. Even money market funds will not be spared. Legg Mason, the second largest publicly traded US mutual fund company has already injected $338 million into three funds to save them losses. They have $10.7 billion in SIVs, representing 6% of its $167 billion in money-market funds. That paper is worth $3.21 billion. Where is Legg Mason going to get $7.5 billion to cover those losses? Nowhere – it is impossible. Check your money market funds and if they have CDOs, MBSs, ABSs, or SIVs get out and go to Swiss franc government bonds. E-trade has a possible loss

of $1.8 billion that cannot hope to produce – get out – go to another broker. Consumer confidence is at its lowest level in two years.

Boston Scientific has begun laying off 2,300 workers.

Stalking horse for the neocons Fed Thompson wants a 1 million-member military ground force and more funding to equip and care for service members and veterans.

HSBC will take a $3.4 billion charge from its US losses.

The Iraq-Afghanistan Wars will cost $1.6 trillion says a new report by Congress' Joint Economic Committee. That is double what the Bush administration has requested.

Bank of America will spend $600 million to prop up their money market funds to prevent ratings agencies from downgrading the funds, as the credit crisis spreads through the financial system. They put toxic garbage into the funds to get a higher yield.

State-owned sovereign wealth funds are beginning to diversify their investments into commodities, gold and silver. They want to use commodities, and particularly gold, as a hedge against US dollar weakness.

The San Francisco Board of Supervisors will issue Municipal ID Cards to city residents, regardless of whether they are in the country illegally. This is so illegals can more easily open bank accounts. This is a blatant attempt to break federal law. The program will cost city residents $3 million; this move is to legitimize lawbreaking.

Credit Suisse is writing off $125 million from CDOs and SIVs.

Bear Stearns will write down $1.2 billion in the fourth quarter due to CDO, ABS and SIV losses.

**From a fellow subscriber:**

Hello Robert.

I heard Friday's radio show via Ipod yesterday and was stunned when you mentioned the number of subscribers who have called or written asking about weapons. Maybe this is part of a group consciousness event but I too started putting together my personal arsenal. I have not been interested in guns my entire life but just in the last year or so I have felt this internal urge to get it together. I am starting from scratch but have been putting it together with ammo, and the basics.

Still researching the assault weapon but I am doing fairly well on acquiring a semi-automatic shotgun, O/U shotgun, 7mm rifle with scope and accessories. Your favorite on the assault weapon would be appreciated, AK-47, that kind of thing.

Also, I went to my first gun show this weekend, and they had a Ron Paul booth there, the only politician. It was busy the entire time, they had 4 personnel there and there was a line to talk to anyone. The donation jar was packed with 10's and 20's. They ran out of signs and bumper stickers. The local volunteer sign up sheet had over a page of new sign ups.

As I was carrying my yard sign out to the car I had discussions with two people I met in the parking lot, they have never been politically active but they couldn't hear enough about Ron. One person had lost two immediate family members in the Iraq war and was going to volunteer for Ron. He seemed so sad, but there was this last glimmer of hope in his eyes that maybe Ron Paul could just do it.

Thanks again for everything.

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**COMMODITIES**

The IEA cut 2007 and 2008 world oil demand forecasts and said there were strong indications that the recent surge in prices to $100 a barrel was depressing demand. People are simply refusing to travel.

**GOLD, SILVER, PLATINUM, PALLADIUM AND URANIUM**

About the only thing the cartel managed to accomplish this past week was to keep spot gold from breaching its all-time high of 850 and gold futures from breaking their all-time record of 875. This is excellent because now we will get a chance to take a breather and consolidate before taking out not only 850 like it did not even exist, but also taking out 1,000 before the end of 2007, and perhaps even going well beyond 1000! Thank you, cartel! That was absolutely the perfect remedy for ensuring that our precious metals rally did not get overdone. Incidentally, your cutesy moves this past week have just ensured the utter and complete annihilation of the commercial shorts. You would make excellent gold bull strategists. If you ever want to give up the bear gig, we are sure we can find a place for you in the bull camp. Just pop a couple of horns on and come on over! Last week, gold, silver and precious metal stocks set new records across the board despite massive gold manipulation by the cartel in terms of central bank sales, leasing and yen-hits piled one on top of the other, completely humiliating the cartel. In stark contrast to the Dow's loss of 500 points this past week (with a loss of 618 since last Tuesday's close), a stinging drop of 3.7%, spot gold gained exactly $25.00/oz., up 3.1%, and silver gained $.81/oz., up a whopping 5.5%. It's like a tale of two cities! Do you remember when all the pundits, analysts, commentators and the mainstream media were saying that gold and silver were just following the stock markets up and down? NOT ANYMORE! So much for that theory!

The cartel's lies are all out in the open now as far as the pros are concerned, and they are running like scared rabbits from equities and other types of dollar-denominated assets into precious metals and commodities, especially oil. The safe-haven status of gold has now been launched in a most splendid manner and will now continue in this role until the bitter end as the fundamentals for gold are now a "no-brainer" and they keep getting better every day!

The dollar has now lost all support not only in value but also now in volume of open interest on the USDX which has suddenly dropped off. We started out this past week with 42,676 contracts and finished that week with 37,256 contracts! This happens as the USDX has breached the 75 handle this past Friday by briefly dipping into the 74 handle, going as low as 74.978 before closing higher at 75.400 due to the yen-hit on gold that cost the Dow 223 points as traders once again retreated to the "safety" of dollar-denominated treasuries and money market funds. We can assure you that the dollar is going much lower and our prediction of a drop to the 72 to 75 range has now become a reality. You sort of have to ask why the cartel has abandoned the dollar when they want to suppress gold. Is it to bail out Wall Street, or is there some other additional motive at play here? For obvious reasons, the bailout is not working very well thanks to the power of gold, which has prospered as the stock markets, which the cartel supposedly has been trying to rescue, have been hit without mercy this week with yen-hits on gold. The yen hits are deadly, and a fresh, new multi-year high has been reached this past Friday at about 110.672 yen per dollar as the Yen Death-Star has once again detonated. We ask how much more the Japanese

public, who are short the yen big-time on the CME, can take as the yen is manipulated against them to stop gold. The Japanese stock market is already suffering, but more sell-offs are possible as the mom and pop Japanese are forced to cover their yen puts. The Nikkei 225 dropped this past week from 16,268.92 to 15,583.42, down 685.5 points, or a whopping 4.2%, as stock positions are sold off to cover margin calls on yen shorts. This problem is added to the fact that Japanese goods have just become much more expensive for US consumers who are quickly running out of gas on consumer spending as they use up the last of their remaining credit, so the Japanese are now getting a double whammy of poor trading and export prospects on top of the yen problem. We believe that the dollar could well become a carry trade currency as traders smell blood and the sharks start circling, and we further believe that this is how the Fed plans on conducting a bail out of the banking industry. If they cannot push the markets up due to bad news and a runaway gold price that forces them to suppress stock markets to keep the large specs at bay, then there is always profit to be made from the fall of the dollar. Imagine how much money you could make if you knew when and how far the dollar would drop by being short the dollar at just the right time. The sudden withdrawal of support for the dollar may be pointing to that and the central banks may all rush for the exits from the dollar and start shorting it, which could send it to the bottom much sooner and much lower than even we thought. US central banks will have to make their profits from the tanking dollar by hiding behind foreign subsidiaries and off-shore accounts, since a long walk to the gallows would be in their future if they were caught profiting from the destruction of the dollar. Remember, they own the system, so treason is hardly an impediment. We will be looking out sharply for any signs of this so that when the investigations and recriminations in the coming economic catastrophe begin, we'll know where to point our fingers.

Large specs have to watch out now as the overhanging Sword of Damocles on the hundreds of thousands of December gold shorts places the commercial shorts in deep jeopardy. Make sure you get out of shorter-term protective derivatives and especially those expiring in November and possibly even December. Large specs know that the key to 1000 gold is the implosion of the December gold shorts, and they have already surrounded these shorts and are building up their supplies of cash to move in for the kill. Watch out for the deadly rally-crash scenario we have talked about in previous issues to devalue your protective derivatives to strip them from you during the rally as the options expire and then to get you to liquidate your metals positions in the crash. This is usually done in the two weeks leading up to options expiry, so be ready for it. Profit-taking should now be done big-time to store up cash for the "Big Push" past 850 and into the great beyond using the strength of the Indian wedding season and other seasonal factors to maximize profits without damaging the price of gold to the point where the commercial shorts can bail out. All you have to do is hold out for five or six more weeks and it will be hallelujah time for gold and silver. Funds should be allocated mainly into physical gold, with a healthy serving of gold futures and protective derivatives. Large specs will make a fortune if they are successful, and will be destroyed if they are not. It is all or nothing as we all look forward to the best Christmas present of all time! The cartel will sell and lease gold big-time the closer we come to the December deadline, so be ready for them and their yen-hits as the commercial shorts approach the brink of financial oblivion and prepare to don their Crispy Critter outfits. The volcano in the COMEX continues to smolder and sputter as gold and silver remain in the lava state going into this week.

The Barbaric Relic was ready to finish off the Raving Reprobate, winding up for the knockout blow, when some Japanese bankers in the audience threw several wads of white cloth wrapped around little piles of yen at the Relic, thereby distracting

the Relic long enough for the bell to ring and close out the round before the Reprobate went to the mat again after what would have been a jaw-breaking right cross. When the referee unwrapped the white cloths to pocket the wads of yen, he discovered a red sun on some of the cloths, and we all immediately suspected that some of the gold bears had handed their Kamikaze headbands to the bankers who filled them with wads of yen to give them some heft. The referee did not threaten to declare the Relic the winner by default from the foul by the Reprobate's supporters in the audience, so you know there was also some payola involved, probably the yen wrapped in the headbands. We now go into the next round with the Reprobate in some big-time trouble. The Knight of Economic Reality showed up and threatened to cut the Japanese bankers to ribbons as they went for the exits. It was entertainment at its best and finest.

Records set this past week: Spot gold intra-day at about 846 and a close of 835.20, December gold futures intra-day at 848.00 and a close of 837.50, spot silver intra-day at 16.21 and a close of 15.48, December oil futures intra-day at 98.62 and a close of 96.70, the XAU intra-day at 195.50 and a close of 193.17, and finally the HUI intra-day at 463.06 and a close of 455.93. We are just getting started, so take your positions now or forever hold your peace.

On Sunday, November 11, 2007, at about 11:40 pm EDT, the yen has strengthened from Friday's close of 110.90 yen per dollar and 162.635 yen per euro to 110.004 and 160.944, although it has since eased as of 1:00 am EDT to 110.341 and 161.462, indicating that a yen hit could be on its way. Unless the yen's course is reversed, it will cause a major downward move in the stock markets in the US and Europe as the carry trade continues to unwind. This strengthening of the yen could be in part the covering of yen shorts by the Japanese public to shield themselves from the recent detonation of the Yen Death-Star. The other part is most likely due to further manipulation by the Japanese government in support of their Illuminist masters. We believe that the cartel could be trying to bleed out the protective derivatives of large specs by continually causing margin calls with an ever-declining stock market situation until they reach what the cartel hopes will be the breaking point where the large specs run out of protective derivatives and have to start covering with the liquidation of their precious metals and commodities positions. Large specs must continue to purchase protective derivatives daily to soften the effects of such attacks by the cartel on their stock holdings and precious metals positions. They should be purchasing these fresh protective derivatives by using some of the proceeds from the profit-taking they should be doing and in fact are doing as this paragraph is being written. Keep adding to your protective derivatives all the way up during any stock market rallies so you have profits from these positions coming in continually during any crash. All protective derivatives (yen calls against both the dollar and the euro and stock index puts and shorts) must be un-leveraged, long-term and substantially in-the-money. Short-term protective derivatives can get squeezed and destroyed in a rally-crash just before options expiry, as has been done in the past, and that period is upon us as this is written, so that is always another possibility if the yen is reversed suddenly. Large specs must always keep some powder dry in order to maintain their stock and precious metals positions against cartel attacks. And not only are daily protective derivative purchases advised, but also daily entry into the physical gold and silver markets is necessary to prevent any event from happening which might cause gold to drop low enough for the desperate commercial shorts to cover their December gold shorts on the COMEX and the TOCOM. Do not get greedy and use too much of your profits to extend your futures positions in markets where the cartel dominates because of their unlimited supply of fiat money. We are very near to our GOLD 1000 goal, so please remember

to BE PROFESSIONAL, and never let your guard down!!! Always bear in mind that you are a raging bull, not a careless pig to be slaughtered. Be dangerous and whip your horns around in every direction, covering all your bases. Keep your eye on the yen at all times for direction, but remember, the course of the yen can be reversed on a dime as was done the day after the most recent Fed meeting, so do not let them hit you with a sucker-punch, and avoid such underhanded tricks in much the same way as you dodged the cartel's cutesy move on November 1. You are doing a great job and though many of you may not realize it yet, you are doing a great service to the US public by helping to ring the gold alarm loud and clear. There will come a time in your life where you will treasure owning a piece of that!

The PPT really went to town to keep the Dow just above 13,000 by a hair, considering how strong the yen has become and the pressure this must have put on the large specs. We wonder what kind of repos the Fed had to come up with to pull this off? The Dow is up 82 and the yen is still at 109.888 and 159.793 as of 1:00 pm EDT, today, Monday, which would normally be a hostile circumstance for the stock markets. What they are doing now is putting carry trade pressure on the large specs without putting a lot of money into their pockets by way of the protective derivatives being maintained by the large specs against the cartel's devilish attacks. The large specs are making more money on the yen calls but are losing money on the stock index puts. Pretty clever as usual. Perhaps it has not occurred to them that large specs also own long positions in stocks as well. I think we really have the cartel hopping mad with our exposure of their evil manipulations and how to protect against them! Note how silver really got hammered but gold has held at the 800 level despite heavy central bank selling, which has been pretty obvious from the charts. As I suspected, silver positions are being sold off to support gold. Whatever it takes, I guess. And since oil has been hammered also, some of the profit taking from oil is probably being channeled into gold as well as into covering margins.

The Indian, Middle East and Asian jewelers and investors will eat this gold dip up like cotton candy, and tomorrow all the US traders will be back in their saddles. The cartel loves to use the light holidays when trading is thin in order to do technical damage to gold and silver. So, the desperation of the cartel is really starting to show, eh! If 800 holds the cartel will have to back off on the yen as they will not be able to hold the Dow above 13,000 forever with all the negatives that are out there right now on top of the strong yen.

P.S. The subscriber who wrote about his yen calls and S&P puts must be making a fortune by now if he followed our advice. Note also how the S&P and Nasdaq are not increasing as much as the Dow on a percentage basis, a clear sign of massive manipulation and window dressing. They cannot support all the indexes at once with the yen at these levels and the Dow is their window-dressing flagship for public consumption and mainstream media news reports. The broader stock markets are not participating, so the Dow's rise today is nothing but BS. The only reason they have been able to move the Dow this much is because of the thin trading today resulting from the three-day weekend for Veteran's Day.

Early Monday overall was mixed to negative. The Dow was +11, S&P +1, Nasdaq -5 and the FTSE was +58. The CAC was -14 and the DAX -34. The yen was +.64, the euro -1.03 and the pound -1.34. The 10-year was 4.22%. Oil was -$0.43, gas -$0.01 and natural gas -$0.07. Gold was off all Sunday and Sunday night by $16.00. Early in the a.m. it was off $15.90, silver was -$0.37 and copper -$0.06.

As you know the new commercial short position to 240,000 contracts is a record. Positions that have been set over the past 10 weeks now number 135,000 or so. That means we can expect a correction this week, which has already been

anticipated by the shares. We expect a large rise in the yen, which will be reversed. A fall in the Dow that will be reversed and a drop in gold and silver that will be reversed. We are sure the Monday attack by central banks on gold and silver gave the shorts a real sense of relief. A one-point the yen was up almost two yen. This was done to break the gold and silver run. The shorts had to be uncomfortable sitting short 746 tons of gold.

The Gold ETF GLD rose 1.97 tons to 599.5 tons worth $16.02 billion. Between the LYXOR in the UK and Barclay's iShares and GLD, the gold ETF's rose 2.57 tons to 731.35 tons worth $19.56 billion.

The Silver ETF's saw Barclay's iShares Silver Trust register an increase of 46.3 tons to 4,522.71 tons. The net for two weeks was plus 59.94. The long commercials added 3,778 contracts to 54,966. Silver should continue to follow gold and be stronger in the next rally.

Monday saw the Illuminati strike big time. An overnight announcement that OPEC would increase production sent oil down $2.37 to $93.95, followed by gas off $0.06 at $2.40 and with natural gas up $0.02 at $7.92. That was accompanied by a yen that rose $0.81 to $1.0984 that eventually brought pressure on the Dow, which fell 55 to 12,987. The S&P fell 131 and Nasdaq fell 263 Dow points. We saw losses in currencies we have never seen before versus the dollar. The euro fell 1.39 to $1.4536, the pound was -3.48 at $2.0554, the Canadian dollar, which was bombed, off 2.80 to $1.0327 and that caused the dollar index to rise to 76.09 +.70. This was no coincidence.

Gold fell $26.20 to $805.90. The central bank physical selling started in Asia, continued in Europe and it was manifest in the US market. All of the above was planned and executed on a holiday when half of the players were not around. This was no coincidence. Silver was hit for $0.75 and ended the session at $14.73. The aftermarket was attacked as viciously because of its low volume. Gold was off $40.00 at $797.70, but it recovered to $804.50, -$3.20. This is your corporatist fascist government in action. It looks like there will be bad PPI news on Wednesday, and bad CPI and FAS 157 news on Thursday. This is part of their preparatory process. All this while the business news was terrible. This is the same kind of plan that was used after 9/11. Irrespective of what the elitists do the game hasn't changed one bit. It's still buy and stay long. It presents another opportunity to buy. This is still a long-term bull market in gold and silver.

Gold open interest rose 7,743 contracts to 563,029, as silver OI added 1,213 to 150,148. On Friday the big Tocom shorts reduced their net shorts to 3,317 to 61,005, as Goldman covered 180 to net 9,027. The same group cut silver shorts by 299 to 540.

On Tuesday morning early gold was off -$2.50 after having been off some $15.00 overnight. Silver was off $0.10 and copper was +$0.02. Oil was -$0.77 and gas -$0.02. The 2-year was 3.45% and the 10s were 4.25%. The yen was -68, the euro was .56 and the pound +1.47. The FTSE was -20, Nasdaq +53, S&P +98 and the Dow +80. The CAC was -18 and the DAX -29.

The yen is still pretty strong at 110.359 yen per dollar and 161.053 yen per euro at 11:55 am EDT, Tuesday morning. While the yen is at this level to subdue the carry trading large specs from investing in precious metals, the PPT has boosted the Dow 171 points in what may prove to be yet another short squeeze ahead of the November options expiry date this Thursday, presenting a potential rally-crash scenario once again, with the intent being to attack protective derivatives expiring in November by making them either worthless or worth less, thereby draining liquidity from the holders of these derivatives, and then crashing the markets immediately

thereafter so that large specs, stripped of their short-term protective derivatives, will be forced to sell their precious metals positions to cover the resulting margin calls, thereby driving precious metal prices down. We have continually recommended against holding any short-term derivatives for this very reason, and hope that our advice has prevented at least some large specs from falling into this trap, thus enabling large specs to hold onto their precious metals positions during the crash as their long-term protective derivatives gain value to offset their losses in long positions in stocks. Large specs should make sure they book some of the gains from this mini-rally on some of their long positions this Wednesday and Thursday as the options expire, bearing in mind that a crash might ensue.

Monday's holiday clobbering was typical of the cartel which always takes advantage of thin trading. Their cheap shot on the metals in thin aftermarket trading which drove the metals from a close of 805.90 down $15/oz. to about 791 was also typical and was quickly reversed when the oriental metals buyers recognized the bargain that was presenting itself, driving gold even higher than its Monday close before the attacks began again. The aftermarket cheap shot was aimed at doing technical damage to gold by driving it below its 800 support level, but everyone now can see right through this crap and the ploy did not work. Monday's action is the direct result of yet another yen-hit on the metals. While the bad news about the credit-crunch and write-offs of CDO and SIV losses has created downward pressure on the markets, the PPT takes advantage of this. All they have to do is strengthen the yen and withdraw their support and the stock markets come a-tumblin' down, creating margin calls in the hopes that metals positions will have to be liquidated in order for large specs to avoid defaulting on their carry trade positions. Gold has held famously in the face of these diabolical attacks by the cartel, and we can assure you that when Ron Paul becomes President every single one of these attacks for the past 20 years will be thoroughly investigated and the responsible parties will be brought to justice.

This ongoing gold suppression is an outright fraud against US citizens, which is meant to deceive them into thinking that everything is rosy when it is quite the opposite.

We ask whether a $40/oz. drop for gold in one day is normal in the face of outstanding fundamentals. The reason the metals are subject to this kind of volatility is not so much because traders are speculating, but because our government and Wall Street is manipulating them downward. Gold should be trading north of $2,000 an ounce and should be gaining $40/oz. every day just to get back to normal, not losing $40/oz. The cartel always blames this on speculative volatility and we agree, with all the speculating being done by them to drive the price of gold down when it should be going up exponentially. And we cannot think of a more satisfying moment than to see their December shorts imploded in the coming weeks. We hope that the gold reserves they will have lost in this process will drive them to their knees and that gold and silver will rise to the much higher levels that the abysmal economic circumstances dictate.

Silver lost as much as $1.13 per ounce down to 14.35 before recovering. The XAU lost a whopping 14.59 to close at 172.14 and the HUI lost a mind-blowing 33.80 to close at 408.12. Thus, all the gains for the past two weeks have been lost in one day! But of course this is just the typical correction you can expect from assets that are worth three times what they are currently trading at, right? - NOT!!!

Speculative crashes come to markets that are way *overvalued*, not that are way *undervalued*. This is corporate fascism at its finest as the people are deceived about the destruction which these corporatist fascists have intentionally wreaked on our economy. This group of sociopaths should enjoy these days of manipulation and profit on inside information while they can, because they will be spending the rest of

their days rotting in jail or much worse. The would-be lords of the universe don't know it yet, but they are about to awaken a sleeping giant! Once the US public finally figures out what is really going on, all hell is going to break loose. And no matter where any of these despicable reprobates might try to hide, the US public will track them down like dogs and make sure they get their just desserts.

Gold and silver got banged around again on Tuesday with gold off in the spot market $8.90 to $797.00 and silver down $0.18 to $14.55. The December gold contract closed off $5.90 and the access aftermarket traded between -$3.20 to -$8.70. We explained yesterday what the Fed is up too, so use these lower prices to be a buyer. This is a long-term bull market. Wal-Mart's profit jump stimulated the market. Those revenues and earnings were brought by massive toy and other discounts and a cutback in overhead. Next quarter Wal-Mart will pay the price. December gold call options are at about 126,000 contracts, which hasn't changed in the past wild week. Almost 600 were added at $800 on Tuesday and over 200 at $805, 100 at $810 and 600 at $825. It is obvious the people who have been behind the gold move are very serious about the long side probabilities. In addition there are only 11 days to expiration. What might they have planned? Gold open interest only fell 3,401 yesterday, which is surprising, as silver OI fell 2,299 contracts to 147,849. The big Tocom shorts on Monday cut their short position by 5,952 contracts to 55,053 as the silver OI fell 58 to 482 contracts. Goldman covered 27 contracts to be net short 9,000. Remember what got this correction in gold and silver started late Thursday was the Comex increase in margins. Anyone who says this wasn't coordinated is dumb. The XAU rose 4.02 to 176.16 and the HUI jumped 9.37 to 417.49. The Dow rose 320, S&P 377 and Nasdaq 537. The yen fell 1.37 to $11.1092, the euro rose 78 to $1.4601, the pound rose 1.59 to $2.0704 and the Canadian dollar rose .98 to $1.0420. The 2-year was 3.55% and the 10's yielded 4.27%. Oil ended at -$3.29 to $91.33, gas fell $0.10 to $2.32 and natural gad fell $0.03 to $7.93.

Early Wednesday was all pluses except the yen, which was off .25 and the pound that was off .30. The euro was up .79. The Dow rose 19, S&P 27, Nasdaq 29 and the FTSE as a reflection of yesterday's gain rose 157 Dow points. The CAC rose 86 and the DAX 70. The 2-year was 3.55% and the 10's yielded 4.28%. Oil was up $1.13, gas +$0.03 and natural gas fell $0.03. Gold rose $13.20, silver $0.42 and copper jumped $0.05.

What you have witnessed this week is PPT brute force in many different markets in order to suppress gold. If you were wondering why the markets have tanked, just look at the yen. All the other bad news is just being leaked out as an excuse for crashing markets at just the right time and in just the right way to hit precious metals as they are rallying. This is just more misdirection, a cartel specialty. The cartel always uses bad news to legitimize the real manipulation, which is being done to keep down gold and silver, and to keep down with them the growing suspicion of the public that there will be no joy in Mudville as the mighty US economy strikes out. It is all just a big smokescreen. Most investors, especially the pros, have known how bad the situations were for the various banks, investment banks, brokers and hedge funds for months now. Nothing has changed. The credit crunch is still on, the Fed is still bailing out Wall Street with lower interest rates, mortgage defaults continue to rise and expand into the better tranches of CDO's, ABS's and MBS's, the commercial paper markets are deadlocked and the real estate markets continue to tank. The only question now is how many hundreds of billions or how many trillions will ultimately be lost. Most of the major players, like Citigroup, are quite obviously bankrupt, and would go down to financial oblivion were it not for the Fed bailing them out by monetizing

treasuries from the repo pool and passing the gargantuan cost on to the US taxpayer through what will soon become hyperinflation as the supply of dollars starts its long and inexorable march toward infinity.

But why use the yen as your market-crashing tool if you are going to withdraw the ongoing false support of the markets and allow the markets to crash in order to hit precious metals by generating margin calls from stock losses that must be covered by the sale of precious metals positions? We'll tell you why. If you are going to crash the markets to hit precious metals, then you want to do this in the most effective way. So what you do is you pick on the carry traders, who incidentally were set up by the cartel to make market manipulation much easier, because it turns out that carry traders in general are heavy hitters in precious metals and in currencies like the yen, among other things. They are the ones who suffer and sell off the most when the yen goes on a tear. Other segments of investors also feel the pain when the sell-offs begin, but not like the carry traders who are being pounded with a double whammy due to their yen exposure. A week ago Tuesday, at 7:25 pm EDT, the yen stood at 114.761 yen per dollar and 167.069 yen per euro, while spot gold was up a ripping 13 to close at 820.70 after closing above 800 for the first time since 1980 only two business days previous, while silver took out its previous 2006 high to close at 15.24, a 26-year high, while the XAU and HUI set their current all-time highs of 193.17 and 455.93, respectively, and while oil hit its all-time closing high of 96.70, up a substantial 2.72 dollars per barrel. THEN UP GOES THE YEN AND OUT COME THE HIDDEN LOSSES AFTER MONTHS OF SECRECY, STARTING WITH THE BIGGEST BANK, CITIGROUP!!!

Gold, silver and their related stocks were headed toward their true values somewhere in outer space, and in order to put an end to their collective myocardial infarction, the cartel reached for their version of Old Faithful, the yen nitro pill, to smash gold and silver and their stocks. This bashing came to a climax on yet another thinly traded holiday, in this case Veteran's Day, as usual. Now let's take a look at the end result of the Veteran's Day Massacre, as compared with a week ago Tuesday. The yen had strengthened to as high as 109.409 yen per dollar and 158.998 yen per euro while currency markets in the US were closed. That is a preposterous change of 5.352 yen per dollar and an even more preposterous change of 8.071 yen per euro. What kind of poppycock BS is that??? Also, while the yen had reached this ludicrous level in only a week's time, spot gold was jack-hammered to as low as 791 in yet another cheap shot in aftermarket electronic trading, down a mind-blowing $55/oz., an astonishing 6.5% from peak to trough after rocketing to as high as 846 a week ago Wednesday, a hair away from the all-time high, before recovering to as high as 810 this Tuesday. Spot silver, which had hit a new 26-year peak of 16.21 a week ago Wednesday, suffered a similar fate, and was pile-driven down to as low as 14.30, down an incredible 1.91, almost 12% peak to trough, before recovering to as high as about 14.87 on Tuesday. The XAU and HUI were trounced down to 172.14 and to 408.12, respectively. The HUI lost 33.80 points in one freaking day! These are the most undervalued stocks on the planet and the index drops 33.80??? This completely strains all credulity, as these various mining companies have claims to assets that are currently trading at less than one third of their inflation-adjusted values. Oil dropped down to 94.62 on Monday with a follow-up killer hit on Tuesday of 3.45, taking oil to 91.17 on the December contract. We ask how much longer the markets around the world will tolerate this kind of tomfoolery from the cartel reprobates and sociopaths.

Gold and silver enjoyed some earlier flight-to-safety buying during this week of yen manipulation, but as the Dow and other indexes were sacrificed on the alter of gold suppression to some nasty levels, the large specs had to back off to maintain

their gold positions, centering on the 800 level in order to keep the commercial shorts from covering. The upcoming period of consolidation for gold and silver, which has been forced on the large specs courtesy of the cartel will ensure the destruction of the commercial shorts, who will now join bankers and brokers in the Crispy Critter Country Club. What a great name for a golf club exclusively for former executives of Citigroup and other denizens of the cartel which will be totally slaughtered and roasted as the ongoing debacle reaches full circle.

Incidentally, if you were wondering how the cartel managed a 319 point Dow rally on Tuesday in order to squeeze out the protective derivatives of the large specs which expire in November, just look at the yen again. Suddenly, the yen has magically reversed, so that by 7:45 pm EDT on Tuesday, it stood at 111.178 yen per dollar and 162.630 yen per euro. This is still much stronger than might be expected for such a rally, so the PPT and the Fed had to be undergoing some form of repo madness to pull this one off. The reason for the stronger yen during the rally is to keep large specs from plowing what would be their newly found liquidity from a weaker yen into precious metals as the quest for safe-havens accelerates in the abysmal aftermath of Greenspan's Folly. Large specs should be sure to book profits on their long stock positions on Wednesday and Thursday and plow some of the proceeds into protective derivatives to protect against a potential crash after options expiry for November. Gold and silver are already headed up in the early going on Wednesday, so be sure to take advantage of the current bargains while you can as we march toward Gold 1000!!!

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**Capella** Announces Update on Its Atlantic Canada Properties
Tuesday November 13, 2007 12:15 pm ET

VANCOUVER, BRITISH COLUMBIA, November 13 /CNW/ - CAPELLA RESOURCES LTD. (TSX VENTURE:CPS - News; "CAPELLA" or the "Company") announces that it has completed drilling eight holes at each of its Hoyt and Harvey properties both located in New Brunswick. Current plans are to complete drilling an additional four holes at the Hoyt property and two additional holes at the Harvey property and then move the drill rigs to the Company's Titus property in Nova Scotia to complete a 14 hole program prior to mid-December of this year.

Capella has sent more than 1,600 core samples from its Hoyt and Harvey properties for processing. The Company logs and splits the drill core after it is pulled and submits the same to a sample preparation lab in Fredericton and from there the samples are air-freighted to Toronto for chemical assay testing. Capella has been advised by the testing facility that as a consequence of high year-end volume of samples being submitted to the facility that it is unable to provide Capella with an accurate projection of when the assay results will be complete.

Capella will make every effort to expedite the release of the assay results to the public as soon as the Company receives such information from the testing facility.

About Capella Resources Ltd.

The Company is a publicly traded, junior exploration company with over 25,000 mineral exploration claims covering an aggregate land area coverage of over 1.2 million acres (495,264 hectares) in Atlantic Canada (Nova Scotia, New Brunswick and

Newfoundland and Labrador). The Company holds a 100% interest in the Tinton Gold Project located 15 kilometres west-northwest of the famous and historic Homestake Mine in the Black Hills at Lead, South Dakota. The property consists of 1,270 hectares contained in 157 unpatented mining claims. The Company also holds a 100% interest in the Nevada and Dorado Gold and Copper properties located in the Maricunga Gold and Copper District approximately 700 kilometres northwest of Santiago, Chile. The properties are comprised of ten exploration claims and six exploitation claims totalling a cumulative 3,500 hectares in area.

CAPELLA RESOURCES LTD.
Per: "R.A. Bruce McDonald"
R.A. Bruce McDonald, Non-Executive Chairman of the Board

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The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.

**For further information**

Skyline Investor Relations Brian Cole, Toll Free: 1-866-433-3356 or 604-733-3356 info@skylineir.com

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**European Central Banks Blew It With Gold.By Brett Arends Mutual Funds Columnist 11/12/2007 11:44 AM EST**.URL:

http://www.thestreet.com/newsanalysis/investing/10389471.html..Wow. What a gold boom

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**The Cop On The Beat**

**By: Theodore Butler**
http://news.silverseek.com/TedButler/1194973888.php

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**CANADA**

Royal Bank will take a $167 million after-tax charge in the fourth quarter due to losses in the US subprime mortgage market.

**EUROPE**

The Lithuanian October CPI was +1.5% mom and +7.6% yoy.

Danish October HICP was +0.3% mom and +1.7% you.

Sweden's October CPIX was +0.5% mom.

Slovak October CPI was up 3.3% yoy.

Latvian 3rd quarter annual GDP growth was 11.1% versus 11% in the first quarter.

Romania's October CPI was +0.97% mom and 6.84% yoy.

Estonia October unemployment was up 12% yoy.

Danish October CPI rose 1.7% yoy.

Lithuanian October CPI rose 1.5%, a new high.

Finnish September GDP was up 0.3% versus August and up 1.7% yoy.

Spain's preliminary GDP for the 3rd quarter rose 0.7% versus the 2nd quarter and up 3.8% yoy.

French October CPI rose 0.2% versus September and was up 2% yoy.

Italian preliminary 3rd quarter GDP was at 0.4% versus the 2nd quarter.

Dutch 3rd quarter GDP rose 4.1% yoy and 1.8% versus the 2nd quarter.

The Swedish Riksbank was unanimous on the report rate hike by 25 bps to 4%.

Slovakia's 3rd quarter GDP rose 9.4% yoy.

Estonia's GDP growth slowed to 6.4% in the 3rd quarter.

Germany's October ZEW survey current situation remained at 70.2. Economic sentiment declined to -32.5 in October from -18.1. This is the lowest since 2/93.

EU October industrial production declined to -0.7% but up 3.5% yoy.

Hungary's October CPI rose 6.7% yoy.

Lithuania's 9-month current account deficit surged 47% to 2.58 billion euros.

French steel production fell 12.5% in October.

The Eurosystem's reserves of gold and gold receivables fell 66 million euros to 185.473 billion in the week of 11/9/07 the ECB said. Net foreign reserves rose 2 billion to 142 billion euros. Net foreign currency increased 2 billion euros, as cash in circulation fell 1.4 billion to 642.1 billion euros.

The methods used by the UN and the EU for blacklisting terrorism suspects are "totally arbitrary" and violate the fundamental principals of human rights and rule of law, a European rights panel said Monday. "They said the fight against terrorism is a need that nobody can put into question," said the panel, which is part of the 47-nation council. "But we consider it unacceptable to forego, in the name of this fight, the fundamental principles of a democratic society." That is arbitrarily freezing assets and banning travel without access to evidence against the so-called terrorist. A serial killer in Europe has a lot more rights.

Spain's ruling Socialist Party has named Nobel Prize-winning economist Joseph Stiglitz to a newly formed committee of international advisers ahead of general elections next March. "They will help orient the principles and values that will inspire our election campaign," said, Jesus Caldera, Spain's labor minister. If the Socialists win, the committee will help the government to come up with progressive ideas on how to deal with the world's biggest challenges. This is a very astute move by Spain. Joseph Stiglitz is one of the world's best economists.

Companies added $364 billion in debt in the second quarter, more than in any other period in history. In the year ended 6/30/07 total corporate debt rose $11.24 trillion.

**ENGLAND**

The sharp credit squeeze is slowing activity in retail, services and manufacturing.

Service grew at the slowest pace in four years.

The trade deficit widened to a record in September as exports to countries outside the EU fell, a sign cooling global economic growth and a stronger pound are sapping the demand for British goods. The gap was $16.5 billion, the most since records began in 1697.

PPI output rose 0.6% mom and was 3.8% you. PPI input rose 1.8% mom and was 8.6% yoy.

Food prices in dollar terms are up by more than 30% on a year ago, yet government tells us inflation is less than 2%. How can that be? The prices of the four most important commodities, wheat, and corn oil, malting barley and dairy products have doubled in the past year.

October annual CPI inflation is supposedly 2.1%, which is ludicrous.

October retail prices rose 0.4% mom and 4.2% yoy.

Chartered Surveyors reported home prices in November down to a balance of -22.2% reporting lower house prices in November. It is the biggest negative since -30.9% in July 2005. September was -14.9%. Confidence in house prices are at its lowest level since 4/03. This is the fifth consecutive month with a balance below -17%.

Crude oil prices are up 7.4% in October and were up 6.7% in September and that is squeezing manufacturers margins. Manufacturers imput price inflation was 8.6% in October, up from 0.7% in August.

Manufacturing inflation is up to 3.8%, its highest rate since 12/95.

The government is making $2 million a month from motorists who are fined for using mobile phones while driving. The number caught rose 40% last year to 200,000.

By comparison, fines imposed on drivers caught by speed cameras nets more than $240 million annually.

Mobile phone fines are being given to people stationary in traffic jams and those who have pulled to the side of the road to take a call. As usual, another senseless aspect of the law.

We are seeing the fastest rise in food prices in 14 years. That means paying $2,000 extra on food annually. At the base of this problem is President George W. Bush's ethanol program. That is so ADM, Archer Daniels Midland, which produces 85% of US ethanol, and its major shareholders, the Andress family, which just happens to be Illuminist, can be further enriched, and the useless eaters of the third world can be starved to death. A pint of milk is at an all-time high of $0.68 and bread costs $2.50 a loaf. That loaf was $0.20 just 15 years ago. The three biggest market chains are charging an average of 12% more for a basket of staple goods, while inflation is officially 2.1%. Government must believe people are totally stupid.

**ASIA**

India's tax revenue grew at more than twice forecast in the first 7 months of the year, up 43.2% to $32.8 billion.

Taiwan's overseas sales rose 14.4% yoy in October as consumer prices rose 5.34%.

Indonesia's January-October actual FDI, domestic investment was up 113%.

Malaysia is confident of achieving 6% GEP growth this year.

**CHINA**

The October PPI rose 3.2% yoy.

October CPI rose 6.5% yoy.

October M2 money supply was up 18.47%.

China's passenger car sales rose 21% in October, as a surging stock market boosted consumers' wealth in the world's second largest vehicle market.

Chinese and Indian crude oil imports will almost quadruple by 2030, creating a supply crunch as soon as 2015. China will replace the US as the world's largest energy user in 2011 and oil demand will more than double to 16.5 m/b/d by 2030, led by a 7-fold increase in car ownership. China and India account for almost half of the projected 55% increase in world energy demand. Oil investments of $5.3 trillion will be needed to meet these demands.

The Chinese has double get rich quick fever in the stock and property markets. Money isn't going in the bank anymore. It is going into stock and property just like a pyramid scheme. They have the fever and euphoria and they will pay sooner or later. The markets are being fed by ever-growing numbers of first-time investors. The central bank is pouring money into the economy just as Japan did in the late 1980s, and the Fed and other central banks have been doing for 3 or more years. This time they are all doing down.

**JAPAN**

October domestic CGPI was +2.4% yoy and +1.7% in September.

The September unadjusted current account surplus was up 40.4% yoy.

The October corporate goods price index rose 2.4%.

Third quarter GDP rose 0.6%.

The Bank of Japan voted 8 to 1 to keep the overnight rate unchanged.

The government has manipulated its currency for 50 years to give itself a trade advantage and the US has looked the other way due to a deal set after WWII. Now the yen is appreciating, it cannot be stopped, and it is going to hurt profits. It looks like payback time.

**LATIN AMERICA AND NEW ZEALAND**

Brazil's Sao Paula Index rose 0.2% in the 4 weeks to 11/7.

Analysts raise 07 inflation forecasts to 3.92% for Brazil.

Brazil's IGP-M price index rose 0.34% in the October 21st to 31st period.

**AUSTRALIA AND NEW ZEALAND**

Money and credit, M3, is 18% annualized, which means the Reserve Bank is feeding inflation, and that Australians are being allowed to live 18% beyond their income.

Trade is booming, especially in commodities and the country still cannot cover its trade shortfall. Inflation is its highest in 16 years and has literally gone out of sight in the second and third quarters. As a result, household income has to exceed $100,000 to qualify for a loan on a median priced home. That is up from $80,000 two years ago. At the same time lending was up 10.2% in August.

Business confidence in October rose 2 points to 9 from September.

New Zealand house sales fell 23% in October yoy.

**AFRICA**

Barclays is bankrolling President Robert Mugabe's corrupt regime in Zimbabwe by providing substantial loans to his Communist cronies giving land seized from white farmers. Barclays has lent then $1.5 billion. This is how leading Illuminist banks aid the Communists who they create and bankroll.

**HEALTH**

**MUTATING DISEASE IS NOTHING NEW**

When we hear the words "mutating disease" we tend to think of modern-day disease. However, we are able to conclude that diseases have been mutating for centuries based on ancient record keeping, forensic science and technology. There is a significant difference between mutating disease of long ago and of today. We have mutating disease like the ancients plus drug resistant disease.

**HISTORY IS A FUNNY THING**

Since there is nothing new under the sun, you've got to wonder just how accurate the ancient writings are about disease since we have people today wanting to rewrite WWII history. So, let's pick a disease and see what we find.

**THE BIRTH OF STD'S**

When you mention STD's people cringe at this unpopular topic. The ancient world considered STD's taboo. You just say the word taboo and "forbidden" springs to the tip of your tongue. The reason is because there are adverse consequences that come with any act, which could affect the well being of individuals and communities. Few historians agree where STD's first manifested and what civilization is to blame. The most interesting citations involve the bacterium syphilis (Treponema pallidum). It was labeled the "Great Imitator" by the ancient world for its ability to mimic other diseases. The first well-documented European outbreak of syphilis occurred in 1494. It was

supposedly brought by German troops to Naples, who caught it from the Spanish Conquistadors serving King Charles of France during the Italy siege. Syphilis swept across Europe at a fever pitch with pustules covering the body from the head to the knees and causing flesh to decompose, sloth off and death within two months. Wow, looks like the syphilis of the 15th century was more fatal. By the 16th century it had mutated to the well known symptoms that we have today (headache, fever, reoccurring skin lesions (reddish, brown & coppery colored spots), weakness and swollen lymph nodes).

**ANCIENT SOURCES**
Some ancient, medieval sources offer evidence that some syphilis cases were in Europe before Columbus sailed the ocean blue in 1942. This contradicts the theory that syphilis was contracted in America by Columbus's crew and brought to Europe. Sailors and soldiers often used mercury ointment used to treat leprosy for the syphilis (which worked slightly better for the syphilis than for the leprosy). One of the most interesting entries I came across suggested that syphilis was the result of the Spanish Conquistadors becoming a bit too friendly with the livestock aboard ship (lama's, I believe). Yuk!

**MODERN TREATMENT**
Modern medicine treats syphilis with antibiotics (penicillin) and is best given intramuscular (injection). Syphilis can be fatal and cause serious health effects such as damage to the heart, brain, eyes and bones.

**YOUR OPTIONS**
If you don't like pharmaceutical drugs you have options. Invite disease to leave your body using the simple principal of cleanse and nourish. Disease lives on waste products and a weak system. Get rid of the waste and strengthen the immune system and you'll be amazed to do what modern medicine can't. The American Indian's used lobelia herb tea to rid the body of syphilis. We have mutated *and* drug resistant strains of syphilis, it is best to use a more concentrated version of lobelia. I would use an aged tincture (liquid extract) of lobelia herb. The Indians also used a variety of blood purifying herbs to rid themselves of syphilis and other diseases. Guess what? You can too. Mutating or drug resistant disease can't survive in a healthy host. If I had any disease I would use God's good herbs to rid the body of waste by doing the system organ cleanses; bowel cleanse, urinary tract cleanse, liver/gall bladder cleanse, and blood cleanse (last). I would also boost my natural immune system and rid myself of the bacterial infections as well as viruses. Use the immune boosting herbs God put here for you. To find out more, log onto http://www.thepowerherbs.com Apothecary Herbs and click on "Organ Cleansing" on the left side of the home page. Look for immune boosting formulas there as well (including a naturally aged liquid concentrate of lobelia herb called Relaxation Formula) or call toll free for a product catalog or to order 866-229-3663, International 704-875-8010.

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Chemtrails – a must watch:
http://www.youtube.com/watch?v=okB-489I6MI

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**From a fellow subscriber**:
Very interesting article you wrote in Bob Chapman's Int'l Forecaster on "Medical Why's". Such historical background of health practices is instructive for each one of us. Most of us have no knowledge of the early practices of Hippocrates or how his thinking evolved, observing the animals (a practice which Aristotle learned from his father) nor are we aware of the influences of Chinese alchemy on Greek medical practices.

Thanks for the reminder of such early developments. Herbs, before modern medicine, have always been considered the foundation of medicine; but how did we get there? Your article helps explain. We also need to assure people of the enduring value of herbs, despite the new medicine.

Ted

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WOW! This was certainly a surprise. Seems like I sent out an e-mail several months ago, telling all of you that you could ward off mosquitoes by sticking a fabric softener in your britches when you went out for your usual golf game!

The Toxic Danger of Fabric Softener and Dryer Sheets
**by SixWise.com**

Many people will remember a famous TV ad where a woman races to her washing machine, fabric softener in hand, only to arrive just as the wash ends. This woman who "forgot to ad the fabric softener" was actually doing herself and her family a favor.

Although they may make your clothes feel soft and smell fresh, fabric softener and dryer sheets are some of the most toxic products around. And chances are that the staggering 99.8 percent of Americans who use common commercial detergents, fabric softeners, bleaches, and stain removers would think twice if they knew they contained chemicals that could cause cancer and brain damage.

Fabric softeners and dryer sheets with scents like April Fresh and Summer Orchard add toxic chemicals to your laundry and, consequently, your body.

Here is a list of just some of the chemicals found in fabric softeners and dryer sheets:

**Benzyl acetate:** Linked to pancreatic cancer
**Benzyl Alcohol:** Upper respiratory tract irritant
**Ethanol:** On the Environmental Protection Agency's (EPA) Hazardous Waste list and can cause central nervous system disorders
**Limonene:** Known carcinogen
**A-Terpineol:** Can cause respiratory problems, including fatal edema, and central nervous system damage
**Ethyl Acetate:** A narcotic on the EPA's Hazardous Waste list
**Camphor:** Causes central nervous system disorders
**Chloroform:** Neurotoxic, anesthetic and carcinogenic
**Linalool:** A narcotic that causes central nervous system disorders
**Pentane:** A chemical known to be harmful if inhaled

So how could products with pretty names like Soft Ocean Mist, Summer Orchard and April Fresh be so dangerous?

The chemicals in fabric softeners are pungent and strong smelling -- so strong that they require the use of these heavy fragrances (think 50 times as much fragrance) just to cover up the smells. Furthermore, synthetic fabrics, which are the reason fabric softeners were created in the first place, do not smell good either when heated in a dryer or heated by our bodies ... hence the need for even more hefty fragrances.

In other words, remove all the added fragrance that endears people to fabric softeners and -- like the cliché wolf in sheep's clothing -- the real smells of the chemical-laced fabric softener and the synthetic fabrics they were designed around may prompt people to shoot their laundry machines and be done with it.

**Are "Soft" Clothes Worth It?**

Fabric softeners are made to stay in your clothing for long periods of time. As such, chemicals are slowly released either into the air for you to inhale or onto your skin for you to absorb. Dryer sheets are particularly noxious because they are heated in the dryer and the chemicals are released through dryer vents and out into the environment. Health effects from being exposed to the chemicals in fabric softeners include:

Central nervous system disorders
Headaches
Nausea
Vomiting
Dizziness
Blood pressure reduction
Irritation to skin, mucus membranes and respiratory tract
Pancreatic cancer

**A 100% Non-Toxic, Economical Solution!**
The Static Eliminator's woven sheets take static cling out, and soften fabric without any toxic chemicals whatsoever -- plus they are incredibly economical, as one box can be used to maximum effectiveness 500 times! (Or go for the super-economical double-pack for 1000 loads!)
**Completely Non-Toxic:** The unique technology is based on the weave of the cloth so it is chemical-free!
**Very Economical!** Each box highly effective for 500 loads of laundry! (To do 500 loads with chemical based dryer sheets takes 13 boxes!)
**100% Hypoallergenic** -- Safe for infants, allergy sufferers, eczema sufferers, and the chemically sensitive
**Softens Clothes & Eliminates Static** without any harsh toxins
**Safe for Even the Most Delicate Fabrics**
**Works at Any Heat Setting**, with any amount of clothing
**Won't Stain or Spot Clothing**
**Easier to Use & Reduces Waste:** Unlike conventional dryer sheets that must be discarded, just leave the 100% safe polynylon Static Eliminator sheet right in the dryer for load after load
**Won't Clog Up Your Dryer Vents** because it contains NO chemicals!

**Learn More About Static Eliminator Now!**
**Soften Your Clothes Safely With These Tips**
Even if you don't feel the effects of these chemicals today, they can affect you gradually over time, and children, whose systems are still developing, are particularly at risk. There's really no reason to expose yourself to these risky chemicals when natural alternatives exist. Not only are they safer for you, your family and the environment, but they're much more economical too:

**Learn about Static Eliminator, a 100% safe, non-toxic dryer sheet system that is more effective at softening clothes and eliminating static cling but poses no risk to you and your family! This is one of the most highly recommended of all products we have reviewed, and you will find it is also extremely economical, too!**

**Add a quarter cup of baking soda to wash cycle to soften fabric**
**Add a quarter cup of white vinegar to rinse to soften fabric and eliminate cling**

**Check out your local health food store for a natural fabric softener that uses a natural base like soy instead of chemicals**

It's likely that fabric softeners and dryer sheets aren't the only toxic products in your home. Many household products that consumers regard as safe are also full of toxic chemicals.

**Sources**

Fabric Softener is Dangerous
The Hidden Life of Laundry
Chemicals Found in Fabric Softeners

"When you no longer want to receive these email updates from TRUTH, simply send an e-mail with the word 'unsubscribe' or "remove" in the subject line."
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**NEXT ISSUE**
**SATURDAYY, NOVEMBER 17, 2007 (111707(4)_IF**



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**Paul Refuses To Hold Back**
**In Candid Q & A**
By Chris Freind
The Bulletin
11-10-7
http://www.rense.com/general79/paul.htm

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November 11, 2007 - The Web Takes Ron Paul for a Ride

**By KATHARINE Q. SEELYE and LESLIE WAYNE**
PHILADELPHIA, Nov. 10 — From posting video on YouTube to enlisting friends through Facebook, all of the presidential candidates are looking for ways to harness the Internet. In the case of Ron Paul, the Internet has harnessed him
http://www.nytimes.com/2007/11/11/us/politics/11paul.html?_r=2&hp=&oref=slogin&pagewanted=print&oref=slogin

When 'voluntary' means 'mandatory'
http://worldnetdaily.com/news/article.asp?ARTICLE_ID=58602

Posted: November 10, 2007
1:00 a.m. Eastern

*****

Taxpayers foot bill for Mexican truckers
Safety equipment tab starts out at $367,000

Posted: November 7, 2007
1:00 a.m. Eastern

By Michael Howe © 2007 WorldNetDaily.com

http://www.worldnetdaily.com/news/article.asp?ARTICLE_ID=58546

The Federal Motor Carrier Safety Administration has announced that U.S. taxpayers will be footing the startup costs of a program to install satellite tracking technology on vehicles taking part in the Mexican Truck Demonstration Program.

*****

**THE LATEST GROUNDS FOR ABANDONING GOVERNMENT SCHOOLS**
http://www.newswithviews.com/Yates/steven31.htm

By Steven Yates November 10, 2007 NewsWithViews.com

*****

Israel and US both condone and freely use torture as official state policy and courts in both countries do nothing to stop it.
**Error! Reference source not found.**
http://www.globalresearch.ca/index.php?context=va&aid=7322

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**PAY ATTENTION TO PRESIDENT WANT_TO_BEs**

**REMEMBER THIS WHEN YOU ARE VOTING 35 Senators Voted against English as America's Official Language 25 May, 2007**

**On Wed, 6 Jun 2007 23:35:23 -0500, "Colonel Harry Riley USA ret," wrote: Senators,**

**Your vote against an amendment to the Immigration Bill 1348, to make English America's official language is astounding.**

**On D-Day no less when we honor those that sacrificed in order to secure the bedrock character and principles of America. I can only surmise your vote reflects a loyalty to illegal aliens.**

**I don't much care where you come from, what your religion is, whether you're black, white or some other color, male or female, democrat, republican or independent, but I do care when you're a United States Senator, representing citizens of America and vote against English as the official language of the United States.**

**Your vote reflects betrayal, political surrender, violates your pledge of allegiance, dishonors historical principle, rejects patriotism, borders on traitorous action and, in my opinion, makes you unfit to serve as a United States Senator... impeachment, recall, or other appropriate action is warranted.**

**Worse, 4 of you voting against English as America 's official language are presidential candidates: Senator Biden, Senator Clinton, Senator Dodd, and Senator Obama.**

**Those 4 Senators vying to lead America but won't or don't have the courage to cast a vote in favor of English as America's official language when 91% of American citizens want English officially designated as our language.**

**This is the second time in the last several months this list of Senators have disgraced themselves as political hacks... unworthy as Senators and certainly unqualified to serve as President of the United States.**

**If America is as angry as I am, you will realize a back-lash so stunning it will literally rock you out of your panties... and preferably, totally out of the United States Senate.**

**The entire immigration bill is a farce... your action only confirms this really isn't about America; it's about self-serving politics... despicable at best.**

**Never argue with an idiot; they'll drag you down to their level and beat you with experience." ~ Anonymous**

**The following senators voted against making English the official language of America:**

**Akaka (D-HI)**
**Bayh (D-IN)**

**Biden (D-DE) Wants to be President?**
**Bingaman (D-NM)**
**Boxer (D-CA)**
**Cantwell (D-WA)**
**Clinton (D-NY) Wants to be President?**
**Dayton (D-MN)**
**Dodd (D-CT) Wants to be President?**
**Domenici (R-NM) Coward, protecting his Senate seat...**
**Durbin (D-IL)**
**Feingold (D-WI) Not unusual for him**
**Feinstein (D-CA)**

**Harkin (D-IA)**
**Inouye (D-HI)**
**Jeffords (I-VT)**
**Kennedy (D-MA)**
**Kerry (D-MA) Wanted to be President**
**Kohl (D-WI)**
**Landrieu (D-LA)**
**Lautenberg (D-NJ)**
**Leahy (D-VT)**
**Levin (D-MI)**
**Lieberman (D-CT) Disappointment here.....**
**Menendez (D-NJ)**
**Mikulski (D-MD)**
**Murray (D-WA)**
**Obama (D-IL) Wants to be President?**
**Reed (D-RI)**
**Reid (D-NV) Senate Majority Leader**
**Salazar (D-CO)**
**Sarbanes (D-MD)**
**Schumer (D-NY)**
**Stabenow (D-M)**

**"Congressmen who willfully take actions during wartime that damage morale, and undermine the military are saboteurs and should be arrested, exiled or hanged."**
**President Abraham Lincoln " Amen "**
**WE NEED THIS INFORMATION PASSED ON TO EVERY RED-BLOODED AMERICAN!!!!!!**

**Verified on Snopes.com Oct. 5, 2007**

**Urban Legends Reference Pages: Senate Vote on Official Language of America.**

*****

**RON PAUL AND THE MILITIA PART 1 of 2**

Dr. Edwin Vieira, Jr., Ph.D., J.D..November 12, 2007 .NewsWithViews.com
http://www.newswithviews.com/Vieira/edwin71.htm

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**FREE TRADE: CHEAP LABOR & EXPENSIVE RECALLS**

http://www.newswithviews.com/Devvy/kidd322.htm

By: Devvy.November 12, 2007
© 2007 - NewsWithViews.com
"The measure of the wealth of a nation is indicated by the measure of its protection of its industry; the measure of the poverty of a nation is marked by the degree in which it neglects and abandons the care of its own industry, leaving it exposed to the action of foreign powers." Congressman Henry Clay, 1824

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# Crisis in the U.S.: "Plan B"?

**by Richard C. Cook**

Global Research, November 11, 2007

*Email this article to a friend*
*Print this article*

Strange events are taking place in the U.S.

By August 2007, a lot of very smart people were reading the tea leaves, convinced that the upper echelons of the U.S. government had their own hidden reasons for forecasting an event even more heinous than the attacks of September 11, 2001.

President George W. Bush, Vice President Richard Cheney, and Secretary of the Department of Homeland Security Michael Chertoff had been hinting that another 9/11 could be coming.

Figures from the U.S. military had also projected a 9/11-type event. On April 23, 2006, for instance, the *Washington Post* published a statement by an unnamed Pentagon source that, "Another attack could create both a justification and an opportunity that is lacking today to retaliate against some known targets."

9/11 was a turning point in history, and not just because it provided a pretext for the Bush administration to use off-the-shelf plans to invade Afghanistan and Iraq. The 9/11 Commission criticized the government for failing to do enough to act on danger signs that attacks may have been afoot. But a movement has formed which argues that the reality was worse—that 9/11 was an inside job staged to further the geopolitical ambitions of an elite seeking to use U.S. military power to advance its own imperialistic agenda.

What is indisputable is that from the 2000 presidential election through the 9/11 attacks and their aftermath, what *New York Times* columnist Paul Krugman termed a "revolutionary power" took control of the U.S. government.

Krugman's statement, contained in the introduction to his 2005 book *The Great Unraveling*, has not been taken seriously enough. George W. Bush had lost the popular vote to Al Gore but was named to office by a Supreme Court that rubber-stamped what Greg Palast and others have proven was an extended process of electoral fraud in Florida. The subsequent actions and policies of the Bush/Cheney administration have been in accord with its dubious beginnings.

From the emergence of the Neocons as an ideological power base dominant over U.S. foreign policy, to destruction wreaked on the Bill of Rights by illegal surveillance of citizens, to the senseless creation of the bureaucratically monstrous Department of Homeland Security and passage of the Patriot Acts, to the initiation of "wars of choice" leading to the devastation of two nations and the killing or displacement of perhaps a million Middle Eastern non-combatants, to violation of international treaties and conventions against wars of

aggression and torture of prisoners, to presiding over an economy ruined by the continued export of manufacturing jobs and the creation and deflation of the housing bubble, to the wrecking of the federal budget by over a trillion dollars of wartime expenditure, to the abandonment of the city of New Orleans during and after Hurricane Katrina, to tax cuts for the most wealthy while the income of the middle class has drastically eroded, and to threats to start another war, this time against Iran, based on deceptions similar to those which preceded the Iraq invasion, the Bush/Cheney administration has brought the U.S. to the brink of catastrophe.

What is now being asked is whether there was a plan that was to take place in September-October 2007 whereby the rest of the job would have been done. Speculation was that a nuclear device was to have been detonated in a U.S. city, perhaps one of the six attached to cruise missiles that were "inadvertently" carried by the Air Force B-52 bomber that flew from South Dakota to Louisiana just before Labor Day.

Check this link from the *Arkansas Democrat Gazette* for the official explanation of the incident: http://www2.arkansasonline.com/news/2007/oct/19/air-force-punishes-70-accidental-nuclear-weapons-f/.

According to the Air Force's report, the missiles were being mothballed due to "a treaty," but ground personnel at Minot Air Force Base "grabbed the wrong ones" and loaded missiles with nuclear warheads by mistake.

Some have argued that these nukes were secretly bound for Iran to prepare for a nuclear attack on that country. But would such a Keystone Cops routine have been necessary to prepare for military action as a contingency to implement a possible decision coming from the highest political levels?

Suppose, on the other hand, that one of the nukes was targeted for a false-flag domestic attack, perhaps a city like Portland, Oregon, where military exercises simulating a major terrorist incident had been scheduled and where residents actually were warning each other to leave town.

Was the attack to trigger an economic collapse, leading as a side-effect to a payoff of billions of dollars for the placers of the "bin Laden bets" that were reportedly made in the financial markets anticipating a fifty percent decline in stock prices? Of course such an attack would be blamed on foreign terrorists. The trail of the explosion would be found to lead to Iran, resulting in war against that nation. Would the Constitution then have been suspended and martial law declared? Would citizens have been rounded up and herded into prison camps?

Such a scenario seems unfathomable, horrendous, even incredible. But it still may have been in character for a regime whose actions have led the world to view the U.S. as the greatest existing threat to peace. Rumors about such possible events have been churning on the internet for months.

But the rumors have not been confined to "conspiracy theorists." Regarding President Bush's commitment to the sanctity of constitutional processes, Congressman John Olver expressed the prevailing view in government circles when he told twenty of his constituents at a private meeting in Massachusetts on July 5, 2007, that he could not support a movement to impeach Bush. According to an attendee, the reason the Congressman gave was that, "The President would declare a national emergency, institute martial law, and suspend the 2008 elections."

Therefore we might ask if it is true, as some sources have alleged, that the reason these events have not taken place was that there was a revolt by the U.S. military, which refused to carry out the false-flag attack that may have been intended?

What then has happened differently which indicates that events may have altered or postponed such a sinister denouement to the nightmare of the last seven years?

What has happened appears to be that the U.S. establishment has decided to move to "Plan B." This may be defined as a decision that the sway of the Bush/Cheney regime must end and that some semblance of normality should be restored, at least in appearance, by making Hillary Clinton the next President.

Of course part and parcel of any Hillary Clinton presidency would be the presence and participation of her husband, former President Bill Clinton. We may rightly speak of "the Clintons" as a unit in this context.

The signs that Hillary Clinton is the President-designee have been appearing in droves. These include her rise in the polls, especially in Iowa, the emergence of an anti-Bush surge in the mega-media, especially on MSNBC, and the appointment of Democrats with ties to the Clintons at the Defense and Treasury Departments.

Other signs include the emergence of a campaign by certain well-connected websites to keep tabs on pro-Neocon news commentators and offensives being launched against some particularly obnoxious right-wing media figures such as Bill O'Reilly and Rush Limbaugh.

The way Hillary Clinton is being portrayed in the mega-media is of decisive importance, because media-owning conglomerates such as GE, Viacom, and Disney serve the interests of the establishment, not the public. Nothing makes it to the airwaves without the approval of the financial interests which control these giants. Also decisive was the appearance of Hillary and Bill on the cover of the October 6 edition of *The Economist,* long the keystone publication of the Anglo-American international financial empire.

*The Washington Post*, another establishment house organ, has noted that Hillary herself is couching her election in terms of "when, not if." The theme she is projecting is that of an anointed insider calling for "national unity." For this she is being duly attacked by her competitors, most notably John Edwards.

The best example of how the mega-media is telegraphing establishment intent was Chris Mathews' lead story on *Hardball* on Monday night, November 5, which displayed MSNBC's "Power Rankings" for presidential candidates. The segment began with an adulatory profile of Hillary's campaign. Mathews then set a record for premature declaration of victory by predicting her as "the most likely winner of the Democratic nomination and presidential election" a full year before the election is even to take place.

Mathews repeated his judgment several times in what was obviously rehearsed language, even as the members of his three-person panel of commentators were trying in vain to raise objections, including the view that Hillary might not even win the Iowa caucuses or the New Hampshire primary. Mathews repeatedly overrode his own experts with his insistence that Hillary was the MSMBC pick.

Oh yes, we will have the formality of a presidential election. Doubtless some fur will fly, because Hillary will always be the Clinton the right-wing most loves to hate. So we won't see a coronation.

It is certain, however, that the current regime will exact a price for accepting at least temporary defeat. So far the price seems to be agreement by Hillary Clinton that the conquest of Iraq is a *fait accompli*, that the building of the Baghdad supersize embassy will continue, that permanent military bases in Iraq will be maintained a lá Korea, and that the option of an attack on Iran will remain "on the table."

She has not raised her voice against any of this. The vehicle by which Clinton signed on to a possible attack on Iran was her vote in favor of the Senate resolution naming the Iranian Revolutionary Guards as a terrorist sponsor. Perhaps there is also an understanding between the Clintons and the Bush/Cheney camp that the latter will not be prosecuted for crimes committed in office.

No matter who becomes president in 2008, that person will be left with a nation in disarray. This includes a foreign policy that has been sacrificed to militaristic interests, the rise of a militant Russia now allied with China through the Shanghai Cooperative Organization, and a Latin America in open revolt against U.S. domination. Even maintaining a post-Bush foreign policy will be a challenge, given Condoleezza Rice's legacy of a State Department whose morale is in shreds due to a vicious Neocon takeover of the foreign service that will persist for a generation or more.

Meanwhile, the U.S. economy is a wreck, with out-of-control debt, the housing collapse in full flower, continued erosion of manufacturing jobs, a sinking dollar, a crumbling physical infrastructure, soaring oil and food prices, out-of-control illegal immigration, and hordes of well-heeled foreigners buying U.S. assets with rapidly depreciating dollars.

The economy is in much worse shape today than when Bill Clinton took over from George H. W. Bush in 1992. It will be a miracle if the next president is able to keep the U.S. from sinking into a depression. The only qualification to this assessment lies with the large companies heavily invested in the growing Chinese economy—GM, GE, IBM, etc. But a majority of the stock of these and other corporations is owned by financial institutions, while the trickle-down effect of dividends will provide only a fraction of the purchasing power needed to keep the U.S. economy afloat.

While the views of the American public still seem to register to a slight degree, the Democrats have failed to respond to their restoration by the electorate to power in Congress by ending the Iraq War. But by their votes in 2006 and by consistently giving George W. Bush such low ratings in the polls, Americans have delivered a message. So have the many internet sites covering the real news of the war and the economy.

As well have the two maverick presidential candidates, Ron Paul the Republican and Dennis Kucinich the Democrat, who have been saying things not heard in the supine world of American politics for a long time. Things like getting rid of the inept handling of credit by the Federal Reserve and stopping the war in Iraq by exiting right now, without any more lies or excuses.

But it is by no means certain that there is much immediate hope of salvaging the nation from the current debacle. The interests of millions of Americans have been severely damaged by the financial and political malfeasance that has gone on for so long. Abroad, the deaths or ruin of large numbers of people in the Middle East must be accounted for. That region is now less stable than ever, as the situation in Pakistan shows. A negotiated two-state settlement between Israel and the Palestinians seems a distant dream. Finally, sane multilateral systems for sharing of the world’s resources among nations or dealing with global warming are nowhere in sight. And a nuclear holocaust involving the U.S. vs. Russia and possibly China is a growing danger.

Further, the U.S. economy can’t simply be “fixed.” It is too far gone for that. The elite began their takedown of the economy during the 1970s and show no signs of being able to reverse course. It started with the removal of the gold-peg to the dollar in 1971 and continued with the explosion of U.S. currency on the international scene due to the petrodollar, soaring trade and fiscal deficits, action to permanently mortgage us to military-backed dependence on imported Middle Eastern oil, a permanent tilt in favor of Israel vs. the Islamic world, and, finally, the galloping 1970s inflation.

These events led to the Fed-induced crash of 1979-83 which left us with today’s travesty of a “service” economy. Now in 2007 the Fed is trying to engineer a “soft landing” of an economy trapped in unsustainable debt and collapsing bubbles, at least until the 2008 election. But everyone knows a crash is coming, particularly as China and other nations dump the plummeting dollar as their reserve currency.

So what are the Clintons and their government-in-waiting planning? You would think they had something in mind. But maybe not. During the 1990s, Bill Clinton acted in full accord with the globalists’ agenda by continuing with the Reagan/Bush I privatization of the economy, with downsizing of government, and with promotion of the dot.com bubble that ended with the 2000 market crash. Unfortunately, it will not be as simple to engineer a repeat performance of even the ephemeral prosperity of the 1990s when what is lacking today is a real economic driver.

The grievous condition of the U.S. is reflected in an epidemic of mental and emotional illness and a rising violent crime rate. It is reflected in a *USA Today* poll, where 72 percent of Americans say the nation is moving in the wrong direction (74 percent in a *Washington Post/*ABC News poll). And who knows what disasters global warming has in store?

To face all this will require a decisive reorientation of U.S. governance. There is little in the history of the Clintons, their opportunistic style, and their passivity to the financier elite that justifies this much optimism. The financial controllers today exert more power over the U.S. economy and the nation’s politics than at any time in history. They are not giving up this power. In fact, Hillary is their “safest” choice among the Democrats in maintaining control.

Perhaps we may want to indulge in a sigh of relief at how much worse things could have been—or may still be—if Bush/Cheney unleash even more disasters. But stay tuned. The next four years are likely to be decisive—particularly because the plan to elevate Hillary Clinton may be a trap by which she is left holding the bag for an economic collapse that would make it much easier than at present for the Neocon storm troopers to rush back in.

What is absolutely certain is that the people of the world do not want war, regardless of their religion, race, or nationality. The people of the world want economic fairness. The people of the world want to live by honest labor, not bank credit. And the people of the world want an environment that is clean and safe for future generations. The only people who do not appear to want these things have been those who are currently in charge of the U.S. government.

The question now is what are the American people willing to do to assure that what is truly in the best interests of the nation will prevail? Will they continue to be manipulated by the fear which has been the basis of the Bush/Cheney mode of governance? Will they continue to act as obedient puppets as it becomes harder and harder to earn a living and raise a family in an economy throttled by debt and a declining standard of living? Will they simply vote for whom they are told to support by the media and the pollsters? Or will some decide that enough is enough and resolve to take America back in 2008?

But even if they do, can they succeed?

While Hillary Clinton is likely the designated Democratic nominee, Rudy Giuliani leads the polls for the Republicans. Giuliani, with his own group of Neocon advisers and his militant outbursts promising more war, is the ideological godson of Bush/Cheney.

Whoever is pulling the strings behind the scenes, it is likely obvious to them that to allow a character like Giuliani to step in while so many raw nerves are exposed among the American populace could lead to a premature explosion. Especially since Giuliani spent most of his adult life as a prosecutor putting people in jail. It's hardly a time in the nation's life when what is needed as head of state is an expert at slamming people into detention.

So what if Giuliani actually threatens to defeat Hillary while the establishment has decided to support her, perhaps just to buy time?

The establishment is taking precautions. It seems to be doing so by starting to promote a plan that could see Ron Paul running as a third-party candidate. You can see this unfolding, for instance, in his favorable treatment on CNN's "Situation Room." And could Dr. Paul really have begun suddenly to raise enormous amounts of campaign cash without someone in the establishment giving a green light?

Ron Paul as a candidate would obviously generate enormous excitement. But he could end up playing the same role as Ross Perot in the 1992 election, where Perot allowed disgruntled voters to let off steam while drawing enough votes to allow Bill Clinton to defeat George H.W. Bush.

One way or the other, the fix is on.

Finally, we should note that the "revolutionary power" Paul Krugman refers to is not just the Bush/Cheney/Neocon regime. They are only the most visible recent manifestation.

The true "revolutionary power" is much less visible but may reasonably be identified with the higher echelons of the "financier elite" and "establishment" referred to throughout this article. The underlying agenda of this group seems to be to destroy the U.S. as the world's greatest industrial democracy, turn it into a province of a globalist system under their control, and use its land and population as muscle for world monetary and military dominance.

Can anything be done? Of course. The underlying problem is that the power and wealth acquired by the U.S. after World War II has eroded—has perhaps been squandered—as the rest of the world has grown up. Certainly, if the right people were in charge the U.S. could accept the inevitable, rebuild its failed domestic economy on democratic principles, and assume its rightful place as one of several major world powers, with the responsibility this would entail. Instead, we have been trying to hold onto what has slipped away by a continued resort to financial aggression combined with force of arms, rather than altruistic action based on enlightened ideals.

It's a failed mission. What has happened to America in the last decade is turning into the greatest tragedy of modern history.

And what can ordinary people do while all this is unfolding? The best advice seems to be not to try to hoard paper assets, which the elite are able easily to manipulate or devalue. It's to get out of debt, hone our manual skills, invest in a small business, grow our own food, stay positive, help others, work hard, eschew the consumption lifestyle, pray and meditate, be sober, and learn to think for ourselves. We might try to work within the political system if we can and want to, but should not count on easy successes, because, as the man said, "It's a hard rain's gonna fall."

*Richard C. Cook is a retired federal analyst, whose career included service with the U.S. Civil Service Commission, the Food and Drug Administration, the Carter White House, and NASA, followed by twenty-one years with the U.S. Treasury Department. His articles on economics, politics, and space policy have appeared on numerous websites. He is the author of* Challenger Revealed: An Insider's Account of How the Reagan Administration Caused the Greatest Tragedy of the Space Age*, called by one reviewer, "the most important spaceflight book of the last twenty years." His website is at www.richardccook.com.*

*Richard C. Cook is a frequent contributor to Global Research. Global Research Articles by Richard C. Cook*

# The Privateer

*2007 Volume - Mid November Issue - Number 591*

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## GLOBAL REPORT

## THE WORLD IS CHOKING ON US DOLLARS

The enervating and everlasting outflow of US Dollars is now driving other central banks around the world into near desperate counter measures. This new feature of the global financial landscape is spreading like a wild fire. The US Dollar outflow was bad enough back when the US Dollar managed to maintain a somewhat useful international value. But now it is beyond endurance in many places to receive US Dollars that are falling in value.

Central banks from Bogota in Columbia to Mumbai in India are imposing foreign exchange trading curbs to take control of their soaring currencies from all the worldwide currency traders who are dumping the US Dollar.

### No More US Dollars - Please:

In Colombia, all international investors must leave a 40 percent deposit at *Banco de la Republica* for six months before they can buy anything. The Reserve Bank of India has created a bureaucratic thicket to curb speculation by foreign money managers. The Bank of Korea is now investigating trading of currency forward contracts to limit gains in the Won, now at a 10-year high. South America is talking seriously about setting up its own Central Bank covering all the Latin American nations as well as establishing a Latin IMF and a Latin World Bank of their own. Once all that is done, don't be surprised to see the arrival of a "Latino" as a copy of the European Union's Euro. In Southeast Asia, Malaysia, a Muslim nation, is once again trying to launch the "Gold Dinar" as the central currency for all Muslim nations. What all these attempts have in common is that more and more nations are trying to avoid accumulating more US Dollars. Economically, the effect of all these attempts to stop new inflows of US Dollars will be to cause a slowdown in global trade. To avoid that, other means of international payment have to be found.

### The Crumbling US Strategic Superpower:

A stunning single event has taken place in the US military and an even more stunning strategic reaction to this event has followed. The US Air Force has grounded its entire fleet of F-15 fighter jets - every single one of the more than 700 aircraft in the inventory - amid serious safety concerns after an F-15 crash in Missouri. US Air Force officials now believe that the aging plane may have disintegrated in the air!

Apparently, according to early reports, the plane simply broke apart in mid air after a normal air exercise.

Japan's Air Force grounded its entire 200 aircraft fleet of Boeing F-15s jets after the crash of a Missouri Air National Guard F-15C fighter on November 2 prompted the US to suspend use of the aircraft. What follows from here is that any US aerial attack upon - Iran - has lost one of its main strike components.

## Juxtaposition:  F-15s - Bush - US Dollar:

For many years, there have been young American pilots flying around in F-15s which are older than they are!  The average fleet age of the US F-15s is more than 25 years.  It is worse with the US mid air re-fuelling fleet.  The age of the average military version of the old Boeing 707 is close to fifty years.

## What Today's US Is NOT:

Obsolete weaponry is not the armament of a large military power or a superpower.  Military history shows conclusively that all historical military powers had equipment of an average age of ten years or less.  When the military inventory got older than that, a new generation of more modern military gear was rolled forward and the previous gear was rolled backwards into reserves,  mothballed or simply junked.  The same thing goes for the US Strategic Nuclear Arsenal.  The missiles were designed and made back in the 1960s.  They are still there due to prodigious efforts of American engineers and maintenance crews.  The US Navy is today the foremost and most modern arm of the US military.

But even that did not stop a new Chinese diesel-electric submarine from surfacing in the middle of a huge US Naval exercise in the eastern Pacific.  The US Navy admits that they had no idea that this new Chinese submarine was there, easily within striking distance of a huge US Fleet aircraft carrier!

The US Army has been chewed up by its deployment in Iraq.  This can be seen from the many reports that more than 40 percent of its rolling gear, from tanks to trucks, has had to be pulled to the side because of the damage done to it or simply due to wear and tear.  There are huge areas in Iraq and in the US where this US Army gear is awaiting repairs and maintenance - and it is only coming forward very slowly.

What the US Military is today, on any sane basis of strategic analysis, is a huge, old, worn and obsolete force.  To re-equip it for the twenty-first century would take many $US TRILLIONS and years of work.  Such a task is simply out of reach.  Too many US military assembly lines have been shut down.  F-15s are not being made any more.  To set up brand new assembly lines is beyond US capacity.

From the above it should be clear and obvious that the total US Armed Force will have to contract in size over the rest of this decade as well as the next.  Plain logistics show that this is the only possible outcome.

## President Bush - The "Modern" Byzantine Emperor:

President Bush has not noticed any of this going on.  This is understandable since he lives inside an Imperial void where an arranged facade is always held in front of him.  All he sees is the facade, so he has the idea that what he sees is the United States as a nation of splendour and might.  A good example of the facade was seen in Sydney, Australia, during President Bush's recent visit.  A US aerial armada arrived.  Mr Bush brought along a personal entourage of more than 700 people.  Armoured US cars sped through the streets of Sydney.  Helicopters covered the skies.  US and Aussie snipers were on rooftops while special teams covered everything else.  Sydney itself was locked down as hard as Baghdad, missing only the car bombs and the random shootings.  Inside all this, and seeing none of it, was President Bush.

## The US Imperial Currency - The US Dollar:

The US Dollar has dropped 12 percent so far in 2007, based on the Fed's own US Trade Weighted Major Currency Index.  It has fallen against 15 of the 16 most traded currencies according to data compiled by *Bloomberg*.  Since 2002, the US currency has fallen 40 percent against the Canadian Dollar, 33 percent against the Euro and 24 percent against the British Pound.  When compared with a year earlier, US prices of imported goods were 9.6 percent higher in October compared with a 5 percent gain in the 12-month period ended in September.  Americans are getting poorer in global terms as the fall in the US Dollar prices them out of more and more international markets.  President Bush doesn't see this either.

## US Debts Running Out Of Control:

The US Treasury said on November 7 that Treasury debt has breached $US 9 TRILLION this week for the first time ever, just five weeks after Congress raised the borrowing limit. President Bush had earlier signed a measure to increase the debt ceiling to $US 9.815 TRILLION allowing the government to keep issuing debt. The increase in the national debt limit is the fifth since Bush took office in January 2001. The US debt stood at about $US 5.6 TRILLION at the start of his presidency. These stark numbers show clearly that the Bush Administration has been the most spendthrift in American history.

## Don't Bank On This:

According to the *American Mortgage Bankers Association* of Washington, the total of US mortgage loans outstanding in 2006 was $US 10.9 TRILLION. Of this total, $US 6 TRILLION have been transformed into securities (CDOs etc.). About $US 1.5 TRILLION of these securities are subprime, another $US 1 TRILLION are Alt-A (nearly as risky) and at least another $US 1.5 TRILLION are in adjustable rate mortgages (ARMs). That is a total of $US 5 TRILLION in US mortgages all now hanging in mid air. If but 20 percent of these mortgages were to go "sour", the lenders' write-down would be $US 1 TRILLION.

## Where Have All The American Consumers Gone?:

The Federal Reserve reported on November 7 that consumer credit rose at an annual rate of 1.8 percent in September. This is the smallest rise since a 1.6 percent gain in April. Total US consumer debt rose by $US 3.75 Billion in September to $US 2.48 TRILLION, a sharp decrease from a gain of $US 15.41 Billion in August. This is $US 11.66 Billion which retailers and foreign exporters will not see in sales.

## Update On The US Global Debt Stakes:

In 2006, the US trade deficit hit $US 764 Billion. The current account deficit, which includes the trade deficit plus the net outflow of interest, dividends, capital gains and foreign aid, hit $US 857 Billion. That's 6.5 percent of US GDP. This data shows the core of the global problem. These deficits lead to an outflow of US Dollars as well as an increase in total US external debts owing. With the US Dollar down 12 percent so far this year, the US is in fact underpaying its foreign creditors to that extent. True, they do get paid, but in US Dollars which will now buy them 12 percent less. In fact, this is a disguised form of international debt default. How otherwise could US external debts be scaled down without it being BIG news complete with international conferences? Instead, the US is bringing it about by letting its currency fall in international value while doing nothing to support it. This could all change - very quickly - if many global exporters suddenly refuse to accept payment in US Dollars. In that situation, the US would have to acquire the foreign nation's national currency BEFORE it could buy that nation's economic goods. To get these foreign currencies, the US would have to sell US Dollars before it would receive any. The US would have to do so at the prevalent exchange rates.

It follows directly from the above that the more Dollars the US lent into existence and/or printed to buy foreign goods, the more the US Dollar would fall in value on the world's foreign exchange floors. Only when the US stopped creating US Dollars out of thin air by printing or by credit expansion would the value of the US Dollar stop falling. Once that point was reached, the US would discover that if it wanted to buy something outside its own borders, it would first have to sell something outside it own borders in order to earn the money. This is the old iron law of international markets which lays down that exports pay for imports. Money, as such, is only an intermediary - the medium of exchange - in these transactions. Natural exchange rates are between real economic goods - so many tonnes of wheat or thermal coal will buy you a Mercedes. No economic goods to sell - no Mercedes, or anything else.

Most Americans will discover this in the next one or two years as the US Dollar loses its trade status.

## Congress - Hiding Behind Closed Doors:

In a closed session on Tuesday, November 6, the Congressional appropriations conference committee approved $US 471 Billion in US defence spending for 2008, a huge 9.5 percent increase over last year.

## New US Commercial Mortgage Issuance Crashes:

In October, US banks issued just $US 8.6 Billion in commercial mortgage deals, down from a monthly average of nearly $US 66 Billion for the first nine months of the year, according to *Thomson Financial*.

This is not a contraction. This is a CRASH! Note please that the crash is in US commercial mortgages. This means that US business can easily read the signs and don't want to carry any more debt.

## The Fed Tells Ugly Tales:

US residential mortgages were harder to get than at any time in the 17-year history of the Fed's survey of banks' senior loan officers, the Fed said on Monday, November 5. This shows banks are scared to lend.

## The Coming US Grey Tidal Wave:

The US Bureau of Labor Statistics predicts 43 percent of the US labour force will become eligible to retire before 2012. That's a little more than four years from now. Once they are, they will take with them into the shadows close to 50-60 percent of the skill levels inside the US economy. The US economy will be left with what remains to rebuild the wasted and obsolete capital plant.

## The Fed - Flashing Red Lights:

Even having read it, it is hard to accept. But here it is, straight from the US Fed itself.

The Fed's Z.1 "flow of funds" report shows that total US credit market borrowings (non-financial and financial) expanded at a $US 3.75 TRILLION annualised rate during the first half of 2007. Since the US economy is measured at $US 13.8 TRILLION on a nominal basis, it follows that 27 percent of the US economy was simply borrowed into existence. Remember any US Dollar spent counts as part of GDP.

## The US Mortgage Debacle - Update:

Losses from the falling value of subprime mortgage assets may reach $US 300 Billion to $US 400 Billion worldwide, Deutsche Bank AG analysts have said. At the other end of the scale US AAA mortgage bonds originated in the first half of this year have fallen to a record low close of 79. This means that traders reckon these bonds are worth only 79 cents on the Dollar. If one wants a clear financial picture of the mania which has possessed the US housing market, these plain words from the Mortgage Bankers Association will make it very clear indeed. US mortgages - the amount of home loans - have quadrupled to $US 10.9 TRILLION since 2001. That is a FOUR-FOLD increase from $US2.725 TRILLION 725 to $US 10.9 TRILLION in SIX years! Over that period, $US 8.175 TRILLION was poured into the US household mortgage sector. One can only ask, where were the adults in the US?

In principle, the "new" system was simple. Issue some new mortgages and then package them in a Collateralised Debt Instrument (CDO). Sell the CDOs to a pension plan, an insurance company, etc. which, having bought the CDO, hands back to the bank the money it had just lent out. Go out and sell some more mortgages. Repeat as required, the money lent always comes back when the CDOs are sold.

The problem now is that not only are huge amounts of mortgages/CDOs etc. coming back onto these lenders' balance sheets, even more worrisome, uncounted thousands others now hold these US CDOs.

## More On Where Have The US Consumers Gone:

The US Commerce Department reported on November 14 that US retail sales increased at a slower pace in October as rising fuel prices and falling property values left shoppers with little extra cash to spend.

The October 0.2 percent increase followed a revised 0.7 percent gain the prior month, the US Commerce Department said. This is a consumer standstill. WalMart and others have already begun to discount many prices much earlier than usual - before the normal US Christmas shopping season has even begun.

## Piling Up The Unsold Goods:

The US ISM's customer inventories index jumped to 54.0 in October from 50.0 a month earlier, putting it at the highest point since January 2001 - only two months before the last US recession began.

The US ISM manufacturing index for October slipped to 50.9 from 52.0, consistent with a slow growing economy. There is now open talk to the effect that the US economy will only "grow" by 1.5 percent annualised in the fourth quarter - or perhaps not at all. Looking further ahead, many US economists expect the US economy to score its first quarter of "negative growth" in the first quarter of 2008. This means that the US could be in an "official" recession in the early part of its year-long presidential election campaign. And, or course, with a recession in place, Americans will be regaled with a plethora of false political options to "fix "the US welfare/warfare state.

## Back To First Cases:

The real definition of wealth is UNCONSUMED economic goods. Once the economic goods have been consumed and are no longer there, the resultant condition is known as "poverty". This holds true for all times, from the earliest barter economies to those economies with the most extended markets and monetary and financial systems. But monetary systems can disguise the true state of economic affairs. That is why the early Classical Economists stressed that they were trying to see through the "***veil of money***" in an attempt to discern the true state of economic affairs. Compare two situations. First, a man lives in a million dollar house, has a vacation home, three or four cars and annual vacations in exotic places. In terms of having legal title to all these goods, the man is indeed the owner. But once one looks behind the legal veil, one sees that this same man has borrowed every penny he could get his hands on to acquire these goods. Economically, he is not the owner at all. Economically, by legal right, his creditors are. He has the use of these goods only for as long as he makes all the many required payments.

In fact he is a very poor man economically. He owns OUTRIGHT next to no unconsumed economic goods. He gives the appearance of being a wealthy man, but he does not have the substance.

In the second situation, a man of nearly the same age lives in a much more modest house than the first man, but this man owns his house outright! Further, he has placed a capital sum of saved money in a fund which earns him all the other costs of owning his house - rates, insurance, maintenance etc.. He does not have to pay anything out of his own monthly earnings to live in his own house. This man has what is known economically as "free and CLEAR title". He not only has legal title (everybody has that), he also has free title because the actual annual costs of the house are carried by his own "house fund". It is the economic combination of these two factors, as described above, which gives him CLEAR title.

Clear title should always be the ultimate economic aim. It means that, in reality, what this man owns is a very direct form of unconsumed economic good. Having such an unconsumed economic good makes him by definition a wealthy man. When such men, and women of course, constitute about 60-70 percent of a nation - then that nation is immensely strong as well as very wealthy.

When this percentage is reversed, the nation is a poor nation hiding behind the ***"veil of money".***

# INSIDE THE UNITED STATES

## *"WE HAVE A STRONG DOLLAR POLICY"*

That quote is not from Treasury Secretary Paulson, it is from US PRESIDENT George W Bush. There is no other place for the US to go after this. Because Mr Paulson's parroting of the "strong Dollar policy" line is no longer believed outside or inside the US, President Bush had to be rolled forward. He was - in an interview on Tuesday November 13. The highest official authority in the land has now intoned exactly the same litany that Mr Paulson has been pushing for months. But this time, it's the BOSS talking.

In his interview, President Bush predicted that the battered US dollar will get stronger because the US economy is robust. *"If people would look at the strength of our economy, they'd realize why, you know, I believe that the dollar will be stronger",* President Bush said. *"We have a strong dollar policy, and it's important for the world to know that. We also believe it's important for the market to set the value of the dollar relative to other currencies",* the President said. The currency markets sent the US Dollar lower in response, not believing a word of the first part of the President's own statement.

### This Is Where The REAL Trouble Starts:

President Bush has been pushed forward to defend the US Dollar. From here on, the international value of the US Dollar becomes a matter of not only presidential prestige - but also US national prestige.

### Tall Lies From High Places:

The "strong Dollar policy" is a lie, no matter who intones it. With the huge US internal credit expansion running at an annual rate of $US 3.75 TRILLION, the very first thing which would have to be done to support the international value of the US Dollar is to drastically slow down this internal rate of US credit expansion. Obviously, the result would be a sudden and savage US economic downturn, followed by a recession as deep or deeper than the one back in the 1930s. Equally obviously, none of the political or financial powers that be would accept that. That means that the internal US credit expansion will roll right on until the US Dollar breaks fatally under the accumulated strain. We are set for a global crisis.

### Print Or Bust:

Economic fact: There has never been a nation which has managed to devalue its currency into prosperity.

This is the central fact that all *Privateer* subscribers should have written in a picture frame to be hanged in a conspicuous place in their homes and/or offices. The purpose in doing this is to have a constant reminder in view as to the real truth of affairs. This goes especially for our American subscribers, but for as long as the US Dollar still functions globally, this statement also has a global reach.

### Anticipating The Crisis:

OPEC already publishes an oil price using a currency basket that includes several currencies - the US Dollar, Euro, Yen, Sterling and the Swiss Franc. This is known as the "modified Geneva 1+ basket". The basket is weighted according to the merchandise imports of OPEC member countries from the nations whose currencies are in the basket. OPEC buys merchandise from the US to this degree, from the EU to that degree. When calculated in percentage terms of the total flow of merchandise trade, that leads to one weighting for the US Dollar and another weighting for the Euro, etc.. In effect, OPEC is abiding by the iron law of international trade which says that exports pay for imports. What OPEC is doing is to tailor its imports to the required quantities of such currencies to pay for the imports.

Note that the OPEC method is closer to the natural ratios between goods, and therefore close to barter.

# INSIDE CHINA - AND - JAPAN

## CHINA GOES SHOPPING - AND - JAPAN SLOWS DOWN

China's retail sales rose 18.1 percent in October from a year earlier, the fastest pace in eight years. The consumers in the world's fastest growing major economy got richer and price-inflation accelerated, the statistics bureau said November 14. China has boosted minimum wages and reduced interest and income tax in an attempt to fatten consumers' wallets. For the first 10 months, retail sales climbed 16.1 percent from a year earlier to 7.2 TRILLION Yuan. Disposable incomes among urban households rose 13.2 percent (after adjusting for inflation) in the first nine months from a year earlier. This shows that China is slowly turning its economy inwards - what is consumed in China is not there to be exported.

But China's consumer prices rose sharply in October, tying a decade-high monthly inflation rate of 6.5 percent, the government reported on Tuesday, November 13. Food prices jumped 17.6 percent in October over the same month a year ago while the price of pork, a staple in China, soared 54.9 percent, according to the National Bureau of Statistics. China's pig output is badly hampered by the "blue ear" disease.

### Still Exporting Up A Storm:

China's trade surplus rose to a record $US 27.05 Billion in October, adding fuel to the US and European complaints that the Yuan is "undervalued". The trade gap increased 13.5 percent from a year earlier, the Chinese customs bureau said on November 12. China ran a $US 13.9 Billion trade surplus with Europe on total two-way trade of $US 31.4 Billion in October. That was just behind China's $US 15.7 Billion surplus with the United States on total two-way trade of $US 26.7 billion. The US September trade deficit was another blow to the waning US Dollar. The US Census Bureau reported that the deficit was $US 56.5 Billion for the month, which shows that the US trade deficit is global and not just with China.

The Yuan has in fact now gained about 12 percent since the end of its peg to the US dollar in July 2005.

China's trade surplus climbed to $US 185.7 Billion for the first nine months of this year, more than the $US 177.5 Billion record for all of 2006. China's fixed asset investment in urban areas has climbed 26.4 percent in the first nine months from a year earlier, up from a 24.5 percent pace in all of 2006. Industrial production jumped by 18.9 percent in September, the biggest gain in three months. Overall, China is advancing its entire economy at an annual rate of 11.5 percent and it shows no signs of slowing down.

### Japan Signals Global Recession Ahead:

Japan's core machinery orders, a key gauge of corporate capital spending, fell in September, official data showed on November 8. Core private sector machinery orders, which exclude particularly volatile demand from power companies and for ships, fell by 7.6 per cent in September from the previous month, the Japanese Industry Ministry said. The fall, following a 7.7 per cent drop in August, was much worse than the average market forecast for a drop of 0.6 per cent. That is two months in a row of stark falls in new machinery orders, which shows that Japanese industry sees no reason to invest in new tools and other machinery while it watches the internal US economy slow down, in turn affecting Japan's own exports.

When economies are on the verge of recession, often the first things to dive are new capital investments, the machinery which stands on the floors of factories and which produces the economic goods which consumers consume. Slowing final sales and climbing inventories (see the *Global Report*) are even earlier signs, but the decider is always investments in machinery. When they tank, the real economic recession is only two or three months away. Now, for two months straight, Japan's machinery orders have dived. Japan is the world champion in reacting faster than any other nation to changes in economic direction, so what has happened in Japan must be regarded seriously. Japan is an exporter to the world. Export growth is waning. Shipments overseas grew at the slowest pace in two years in September.

# INSIDE THE EUROPEAN UNION

## RUSSIA IS BOOMING - AND - EUROPE BUILDS ITSELF

In Russia, the average income has doubled under Putin and the number of people living below the poverty line has been cut in half. This shows that the real Russian economic improvement is hitting main street.

Russia has also increased its federal budget tenfold since 1999 while paying off all its foreign debt and building up the third-largest Gold and hard currency reserves in the world, now about $US 425 Billion.

The new economic foundation which Putin has built consists of this. In 2001, Mr Putin instituted a 13 percent flat tax rate on personal income, along with a 9 percent rate which applied to dividends. All capital gains are taxed as ordinary income. A full capital gains tax exemption is in place on the sale of a primary residence that is held for more than three years. In 2006, Russia effectively eliminated its inheritance tax. Russia's corporate tax rate was also reduced during Putin's tenure to between 20 and 24 percent in most of Russian regions. The broader Russian economy simply took off from all this.

### Listen To The Bear's Growl:

Russia's Parliament has voted unanimously to suspend a key arms treaty limiting conventional forces in Europe, saying that the United States and NATO were using the pact to undermine Russia's defences.

Ignoring appeals from the United States, the Duma (lower house of parliament) approved by a 418-0 vote a law allowing Moscow to stop complying with the Conventional Forces in Europe (CFE) Treaty. This is a serious matter. The CFE Treaty requires that before major ground forces are moved, the other parties to the treaty have to be informed. Essentially, the treaty has banned major armoured forces from European Russia. They are all now parked behind the Ural mountains. Russia has abided to this treaty since 1991 when it withdrew the Red Army's massive tank fleets back inside Russia's borders.

In the Two-Plus-Four Treaty signed by Mikhail Gorbachev and George H W Bush in 1990, the United States pledged not to station foreign troops or nuclear weapons in the eastern part of Germany and not to expand NATO eastward. Since then, in total violation of the treaty, NATO has added 10 new countries.

### The Return Of Armies At The Borders:

It would be a geo-political tragedy of immense proportions if Europe was to return to its previous state of affairs during the long Cold War when massive armies faced each other across the Iron Curtain. But it might happen if Russia, in response to the US and NATO violation of the CFE Treaty, resigns from the treaty. That will make Russia able to legitimately march its armies right up to Poland's borders.

A withdrawal from the CFE treaty would mean that Russia would not have to inform the treaty signatories of troop movements, inspections or verification of arms reductions on Russian territory. Unhindered by any reporting requirements, Russia would be free to move its troops and military equipment wherever it wished along its borders and possibly destabilise its neighbours, Western defence analysts have said.

### The "Internal" Building Of Europe:

The European Union ministers agreed that nine member countries may join the bloc's border-free zone, meaning that their nationals may travel without passports in the zone. The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia are to enter the EU's "Schengen zone" on December 21 when they will open their internal land and sea border check points. The idea of a passport-free zone was born in Schengen in Luxembourg in 1985. Fifteen EU countries have joined. Soon, there will then be 24 European countries where one can cross borders without a passport.

## AUSTRALIAN REPORT

## WHEN IT'S OVER - HUNKER DOWN

When *The Privateer's* hard drive records the political spending promises by both sides in the election, at times it is glowing pink and sometimes it flashes red. The sheer volume is simply astounding. One good measure is to add the spending promises from the two sides and call that final sum - "political promises". Combined, they now amount to the not so insignificant sum of $A 96 Billion. Also noteworthy is the fact that the two sides' spending promises are very close together with Labor spending slightly less. This brings to the fore the old saw that any democratic election is an advance auction of stolen goods.

### Most Aussies Have Their Own Cynical Variation:

Aussies know that the nation's politicians hold them in contempt, after all, time and again they demonstrate that they can be bought - so the politicians buy them. But Aussies have also learned another thing. In the year or so before an election, the party in power lets the economy rip. Aussies take all the advantage they can of this in personal terms and spend up a storm. Then after the election, they demand all the money the winning party promised to spend on them. With variations, this has never failed.

### It Sure Shows:

Australians had an 8.2 percent increase in retail spending in September from a year earlier, the biggest gain in three years! It's the election, you know. Australian house prices soared 10.6 percent in the third quarter from a year earlier. That was the biggest increase in more than three years, the statistics bureau said on November 7. Without lifting a finger, most Aussies are getting wealthier. And then comes the economic crunch. Australian households are carrying record debt of 161 percent of disposable income. Our Reserve Bank has been in such utter despair about this that is did the unprecedented, it raised its benchmark borrowing cost to 6.75 percent on November 7 - right in the middle of the campaign.

### Aussies Know What's Coming After The Election:

Once the political party which wins the election is safely placed in the Cabinet chairs, their first item of "business" (never discussed in public) is how to deliver as little of their spending promises as they can. Aussies know all about this too. Along with this, the new Cabinet always pushes for more revenues but this is most often done on the secondary level of higher fees, charges, etc.. These are not tax increases, they are just required payments for governmental services rendered. Aussies know all about this one too.

### That Too Already Shows:

The Aussie Reserve Bank once again comes forward with the data. It has reported that in September, nearly two months ago, Aussie credit card use actually declined! In fact, it contracted as Aussies even paid their outstanding credit card balances down that month - by $A 6 on average. Cash advances on credit cards have actually dropped by 8.7 percent over the past year, with the majority of this drop taking place in the last two months. Credit card debt repayments were actually up by 4.3 percent compared to September 2006. What this actually shows is that most Aussies let the good times roll until the election campaign started to get close. Then they slammed their brakes on. What follows from here is that after the election, the new government will be desperate for more funds. The only place where it can get these funds is, you guessed it, the everyday Aussie household. Most Aussies know all about this too.

So, within weeks or (at the most) a month or two after the election, expect the Aussie economy to contract on the consumer spending side as Aussies struggle with their higher debts and the new powers that be struggle for higher revenues, all the while desperately hoping that nobody else notices. In the first half of next year, Australians will be singing the post-election blues as all the bills come due.

# THE GLOBAL MARKET REPORT

## THIRTY-SEVEN YEARS AND COUNTING - DOWN

August 15, 1971 to -- when? That is THE question. The global "fiat currency" era - an era during which all the world's moneys have consisted of mere promises to pay with nothing tangible behind the promises except the taxing power of government - is in its thirty-seventh year. It began on the day that President Nixon declared national bankruptcy by announcing that the US would no longer honour its pledge to redeem US Dollars at a rate of $US 35 per ounce of Gold. That was the pledge which had made the US Dollar the world's "reserve" currency. Mr Nixon made his announcement on August 15, 1971.

As we say in the introduction to our *Gold This Week* analyses online: *"Up until August 15, 1971, there has never in history been an era when no paper currency was linked to Gold. The history of money is replete with instances of coin clipping, printing, debt defaults and the other attendant ills of currency debasement. In all other eras of history, people could always escape to other currencies, whose Gold backing remained intact. But since 1971, there is NO escape because NO paper currency has any link to Gold."* That is the problem which is now coming home to roost - on the currency which has formed the foundation of the world's monetary system - with no foundation of its own - for nearly thirty-seven years.

### The Beginning Of The End - The Market Signals:

Gold "floated" - in the sense that it was no longer part of the official monetary system - in 1971. With that stabilising anchor removed, global currencies "floated" in 1973. Hence the need to "track" the exchange ratios of all currencies - including the US Dollar - against each other, there being no landmarks left. It was for this purpose that the $US Index or USDX was instituted, also in 1973. For more than thirty-four years, until September 2007, that USDX had a "floor". This floor was at the 80 level, a level which formed the bottom of any bout of US Dollar weakness (and there were many) throughout the 1970s, '80s, '90s and a large chunk of the '00s. The last time the USDX closed ABOVE 80 this year was on September 6. That's two and a half months ago. On November 16, the USDX closed at 75.84. Its low so far on a spot future closing basis has been 75.39 reached on November 9.

This is the first signal of the beginning of the end for the global floating currency system with the US Dollar as the "reserve". Every time the USDX hit or neared the 80 level before, there was concerted global intervention to prop up the Dollar. The 80 level has now been decisively taken out on the USDX. Thus far, there has been no such intervention evident.

The second market signal is the $US "price" of Gold. As you know, this hit a high of $US 850 at the end of the "inflationary" 1970s on January 21, 1980. Exactly seven years ago, on November 16, 2000, Gold stood at $US 266.30. It last traded below $US 300 on April 17, 2002, below $US 400 on September 10, 2004, below $US 500 on December 22, 2005, below $US 600 on October 30, 2006.

Gold last traded below $US 700 on September 7, 2007, the day after the USDX broke down below the 80 level. And of course, over the first week of November, Gold exceeded the $US 800 level. On November 8, the spot future Gold price closed at $US 837.50, about 1.5 percent below its 1980 all time high. Then came the correction in the week just ended. The USDX has now been below its previous all time lows for well over two months. Gold has not yet reached its all time highs in $US terms and has now corrected at its first attempt to do so. Given the increasing desperation of the global (fiat) money managers, and given the fact that Gold WAS at its MAJOR resistance point, this correction could have been expected.

The US Dollar has plumbed all time lows. Gold, the premier alternative to the US Dollar as the world's currency has not - yet - reached an all time high in terms of US Dollars. It will. And when it does, both the market signals for the end of the global fiat currency system based on the US Dollar will have been given. That system will not survive. We can only hope that a return to Gold as money will replace it.

## The Beginning Of The End - The Political Signals:

If your news sources stretch beyond Fox and CNNfn (and as a *Privateer* subscriber, they do of course), you know that the political signals are proliferating like rabbits.

The first recent political (yes POLITICAL) signal was given by the US Fed when it sprang a surprise 0.50 percent cut in its Discount rate on August 17. That was followed by another 0.50 percent cut in the Discount rate, accompanied by an 0.50 percent cut in the Fed Funds rate on September 18 - despite the fact that the $US Gold price was at a bull market high and the USDX at an all time low. And that was followed by 0.25 percent cut on October 31 - despite the fact that the $US Gold price was on the verge of $US 800 and the USDX was at an all time low. Because the Bush Administration could not organise the “usual” global intervention to prop up its currency, the US Dollar was being sacrificed for political expediency. Better an all time low on the USDX than an obvious tumble into recession inside the US.

At first, global political protestations at this “benign neglect” shown by US policy makers to the global distortions piling up as the US Dollar sank were muted. They have grown steadily louder. Protests about the continual fall of the US Dollar have been growing all over the world - from Canada, from South America, from the EU, from Russia, from China, from Japan and from the Asian “Tigers”. Even Iraq is protesting. Australia is not, at the moment, since we are mired in an election campaign. Expect the protests to start ringing out after the new government takes over after November 24 and has to fund its campaign promises in the midst of the growing chaos in global trade and exchange rates.

Nor are the actions in the rest of the world confined to mere protest. We have already covered the foreign exchange trading curbs springing up all over the world and the fact that OPEC (more on them later) are already publishing oil prices in terms of a basket of currencies. The only reason that the communique issued at the recent Washington G-7 meeting did NOT mention the US Dollar was Treasury Secretary Paulson vetoed any such impudence on the part of his colleagues.

But the main political signals have come from the US itself and from the dwindling number of US “allies” in the world. Treasury Secretary Paulson successfully prevented any talk about the US Dollar seeing the light of day at the G-7 meeting, but HE has not been silent on the subject. Up until the beginning of November, he was content to repeat the little ditty about the “strong US Dollar policy”. Now, that is no longer deemed sufficient, so Mr Paulson is out “defending” the US Dollar’s reserve currency role.

Meanwhile, Mr Bernanke at the Fed told a Congressional hearing on November 8 that he expects *“a sound Dollar in the medium term”*. And if that does not happen? Well, Mr Bernanke went on to say this: *“We're going to make sure that the inflationary impact that may come from the weakening dollar is not passed into broader prices”*. Nothing short of wage and price controls, which Mr Bernanke cannot impose but Mr Bush CAN, will accomplish this. Please remember, when President Nixon “closed the Gold window” in August 1971, he did so in tandem with the imposition of wage and price controls across the US. You can examine the subsequent history of the 1970s to determine how well they “worked”.

But the biggest political sign, indeed the ultimate political sign, has been given this week by the top man, by President Bush himself - see the quotes in our *Inside The United States* report. Mr Nixon started this ball rolling. Mr Bush may well be the US President who finally gets flattened by it.

## We Don’t Want Dollars - We DO Want Trade:

Foreign Central Banks have now reached the point where they are utilising a variation of what the Swiss Central Bank used in the 1970s. The Swiss used “reverse interest rates”, actually charging foreigners for keeping Swiss Franc balances in Swiss Banks. Now, foreign Central Banks are demanding that foreign stock purchasers cannot pull out of the market until they have been there at least six months without penalty. In Columbia, such penalties are as high as 9.4 percent.

## OPEC and The G-20:

In the lead up to the Riyadh OPEC meeting this weekend, Saudi Foreign Minister Saud Al-Faisal made an extraordinary statement. He said publicly that the US Dollar could collapse if OPEC members openly discussed and/or made official plans to change the currency or currencies in which they price their oil exports away from the US Dollar. The statement was picked up when microphones were "accidentally" left on for more than half an hour while he was in conference with his Iranian and Venezuelan colleagues.

The situation has now reached the stage where the Foreign Minister of the world's largest oil exporter is afraid to breathe a word in public about the US Dollar or the effect on it if the US can no longer buy oil with its own currency. He fears that ANY such discussion could crash the Dollar, and thereby the system.

Even more extraordinary, on November 16, a Bloomberg story reported that Treasury Secretary Paulson was signalling that he expects a US Dollar rebound. Mr Paulson is in Capetown as this issue of *The Privateer* goes to press to attend a G-20 Summit. Mr Paulson could and did veto any mention of the US Dollar appearing in the statement issued by the G-7 when they met in Washington. He cannot do so at this G-20 meeting. In the G-20, the US is just one of 20 nations. It has no veto power over what is said in the communique issued by the participants.

## Recent Events:

Over the first week of November, the US Dollar plumbed new lows, Gold pushed perilously close to its all time US Dollar highs, and US and world stock markets - especially Asian stock markets - tumbled. There were daily reports about the worsening housing malaise in the US, coupled with a resurgence of concern over the frozen subprime "assets" of the global commercial banking system. In a repeat of the onset of the crisis in August, all the world's Central Banks were once again seen injecting cash into the system. The Fed injected $US 41 Billion on November 1 and another $US 47 Billion less than two weeks later. Both these amounts were post 9/11 records.

Then, over the second week of November, the markets stabilised a bit. Mr Paulson's "suggestion" to the big money center banks that they set up a fund to isolate their "toxic sludge" from the markets came a step closer when the three biggest banks announced an agreement on the fund. That, plus remarks on the US Dollar's reserve currency status by Mr Paulson AND MR BUSH led to a sell-off in commodities and precious metals, a small rebound on global stock markets, and a slight "uptick" in the USDX.

## Gold:

Please see Gold This Week (GTW):
**http://www.the-privateer.com/subs/goldcomm/gold.html**

## What's Next?:

Will OPEC actually refrain from mentioning the US Dollar when they issue a statement at the end of their meeting? Will the G-20 nations meeting in Capetown do likewise? Will Mr Paulson, backed up by Mr Bernanke and Mr Bush, be able to cobble together some type of international intervention to at least arrest the further fall of the US Dollar? If he can't, the "holiday season" this year is likely to be anything but "happy" on global markets. If he can, the "crunch" may be delayed. It cannot be avoided.

In Australia, the election is on Saturday, November 24. Almost all the polls predict the current Labor opposition will win. Most of them also predict that Mr Howard, the current Prime Minister, will lose his seat. It matters little either way, but Australia faces a big "hangover" as election promises are funded.

## Welcome to "The Room"
### *The subscribers-only home page of Casey Research*

Last Updated November 16, 2007

Dear Reader,

Each morning, prior to logging on to an ever-present computer to begin my daily labors, I have developed the habit of trying to guess, based on vibes emanating from the cosmos, I suppose, whether the price of gold has gone up or down in London in the overnight trading.

It is, of course, a stupid and fruitless exercise, engaged in solely for personal entertainment purposes. But that can be said for pretty much any prognostications linked to short-term forecasting.

For instance, just last week in this space, I went on record saying that we might never see $800 gold again.

My thesis, you may recall, was that there are a large number of people laying in wait for a second chance to trade in their green crispies for the hard yellow stuff at any price under $800.

Therefore, I felt, any break below that level would be met with a wave of new buying. It would be akin to punk rock fans in a mosh pit, catching gold in mid-air and, after a little friendly jostling, sending it back onto the shining stage.

So imagine my surprise when gold not only revisited the $800 level this week, but touched as low as $780… and this on the same day that even the rigged CPI came out at the same persistent high as last month.

What to do? I wondered pensively…

… for about a second, before calling my broker and putting in another buy order for more shares in a gold ETF.

Apparently, I wasn't alone, because gold subsequently bounced… closing the day's trading at $787.70.

So, what will tomorrow bring (I'm starting to write this Thursday evening)? Sniffing the air for scents of market moves, I'm going to come down on the side of gold heading up again.

Ah, presto!... here I am, Friday morning, having guessed correctly, with gold now trading at $792. Wonder where it will be by the time I've finished?

The key point, however, is that paying almost any attention to short-term moves, other than using the inevitable pullbacks as a buying opportunity, is little more than sport, really.

What's important -- always has been, and always will be -- are the fundamentals related to whether the trend you are betting on is still in motion.

Speaking of which…


Now if there is something on your personal radar that suggests this trend is about to turn around, please, please send it to my attention at info@caseyresearch.com.
But enough of that. This week, for no other reason than I feel like taking a break from looking at the big economic picture, I'm delving into topics like geopolitics, and maybe some of the domestic variety.

For instance, this just came across the wire from CBS News.

> *In a campaign memo released to reporters, Mark Penn, Hillary Clinton's chief strategist, argues that Clinton's ownership of "the leadership card" makes her the best candidate in the Democratic field.*

To which I feel compelled to respond, as did the Spanish king recently to Senor Hugo "Flabberlips" Chavez, "Oh, shut up!"

And what the hell is a leadership card, anyway?

If Hillary were honest, she'd admit her real purpose in trying to win the White House ("buy" would be a better adjective) is entirely about ego and the privileges of power…

… a comment that would apply in perfect exactitude to Rudy, Mitt, Obama, etc., etc., ad nauseam, gag, gag, etc. The only possible exception being Ron Paul, who, while as flawed as any

human being, at least believes that government has grown waaaaaayyy too big and should be reduced, a position I can get on board with.

Okay then, now that I'm properly warmed up, let's see what lurks within…

## Last Train Out?

I have been meaning to write more about our recently concluded Denver Crisis & Opportunity Summit, held at the end of October.

In all sincerity, it was the best investment conference I have ever been to. That is saying something because, having previously earned some of my daily bread by planning investment conferences, I am something of a connoisseur of the art form. And in Denver, despite feeling the ill effects of Chinese deer blood wine (a story for another day… but please, never let even a drop of that foul liquid traverse your molars), I found myself paying rapt attention to the speakers, each better than the last.

One of the more interesting aspects was the number of speakers who gave, as their single most important recommendation, the strident admonition that the attendees get as much money as they can manage out of the U.S. and pronto.

This theme was not stated in a whisper, but rather accompanied with a fair measure of podium thumping. And not by normally emotional types or those prone to paranoia, exaggeration or arm waving… but sober, intelligent, even deeply patriotic folks who look to the past and see the future. Namely, capital controls.

And, it's important to point out, no one was suggesting trying to sneak one's money into numbered bank accounts overseas, if those even exist anymore, but rather to work with established firms with long reputations in global diversification and to pay the egregious fees required to do it legally.

That is a notion I wholeheartedly endorse, having done a fair amount of investigation into the topic years ago. At the end of which I came to the conclusion that doing anything even remotely gray would be a huge mistake. For a number of reasons. To list just three:

1. Managing your "gray" money would be a big hassle. If you aren't declaring your accounts, how would you communicate with your manager regularly and efficiently?

2. What happens if your manager decides to simply abscond with your money? Whom are you going to call? And there are now bounty rules in place that offer rats, including workers in overseas financial firms, a share of any money collected from you by the IRS, if they bring said illegally deposited money to the attention of authorities.

3. And what happens if you get caught? Is any amount of taxation you save worth becoming familiar with the inside of a federal courtroom, or worse, the inside of a federal pen?

But the point remains, moving funds into jurisdictions which make it less easy to grab the stuff out from under you or to simply hinder its allocation into more prospective investments ”over there” makes a lot of sense. Especially when the disruptive consequences of massive currency flows triggered by a falling dollar gains momentum… and the Treasury Department remembers that capital controls are one of the tools kept on the shelf for just such circumstances.

The U.S. isn’t at that point yet, unless you are looking to dump your U.S. passport for what the Feds determine at their sole discretion are tax purposes – at which point you are added to the rolls of a category of individual that includes former Nazis and stripped of your U.S. wealth in the process. But other countries are now reaching for the tool, a trend we fear will continue.

According to an article in Bloomberg this week, a number of countries are implementing foreign exchange controls, or threatening same, in order to “take control of their soaring currencies from traders dumping the dollar.”

A few interesting quotes…

> *Central banks are struggling to find new ways to intervene against their currencies and some of the proposals simply can't work," said Mirza Baig, an analyst in Singapore at Deutsche Bank AG, the world's biggest currency trader. Some plans are "truly bizarre," he wrote in a report.*
>
> *The extent of the dollar's slump reminds some traders of 1973, when former President Richard Nixon's Treasury Secretary John Connally abandoned the gold standard while the U.S. was in recession and inflation exceeded 10 percent. The dollar lost 40 percent against the yen in the next five years.*
>
> *Since 2002, the U.S. currency has fallen 40 percent against the Canadian dollar, 33 percent versus the euro and weakened 24 percent compared with the British pound.*
>
> *"The weaker dollar causes central banks to look at foreign inflows differently," Robert Fullem, vice president of U.S. corporate-currency sales at Bank of Tokyo-Mitsubishi UFJ Ltd. in New York. "The market is pushing the central banks into corners. I don't have faith in them. They may have to push the envelope further."*
>
> *Trading on Colombia's stock exchange fell 27 percent to an average 80 billion pesos ($39 billion) a day as the Finance Ministry struggled to control the dollar's 10 percent decline.*
>
> *The Finance Ministry imposed controls on short-term capital in May by requiring foreign buyers of stocks and bonds to deposit 40 percent of their purchases with the central bank for six months. If the peso weakens, investors won't be able to pull out until the period has expired unless they pay a fee of as much as 9.4 percent of the investment.*
>
> *...“New Mechanisms"*

*"New mechanisms need to be considered because the exchange rate is affecting us a lot," Colombian President Alvaro Uribe said in a May 9 speech in Medellin.*

*"It's absolutely frustrating," said Urban Larson, who co-manages about $500 million for F&C Investments in Boston. "The currency control is keeping foreign investors on the sideline. It's unfortunate because there are a lot of attractive stocks in Colombia and the economy is quite good."*

*Overseas investors have bought $18.8 billion of stocks and bonds in India this year, double the previous record in 2005. The increase "is building bubbles" in the country's stock market and real estate, Finance Minister Palaniappan Chidambaram said last month.*

*To curb speculative flows, regulators in Mumbai adopted measures in October to bar some funds from investing in Indian equities and imposed investment caps and deposit requirements.*

*Foreign companies licensed to invest in India can only issue participatory notes, or offshore derivatives linked to local stocks, backed by 40 percent of the shares they hold. They were barred from selling notes backed by other derivatives, contracts whose values are derived from other assets.*

*...Indian Restrictions*

*Trading on India's Sensitive Index was suspended and $120 billion of its market value was wiped out in a minute on Oct. 17, when the regulator proposed the measures.*

*The Bank of Korea and the Financial Supervisory Service said Oct. 23 that they will study forward currency transactions by exporters and financial companies. Companies use forward contracts to lock in exchange rates at a future date, helping fuel gains in the currency.*

*"We need to find out the cause of excessive forward sales," said Park Shin Young, an economist at the Bank of Korea. Interbank transactions jumped to $850 million a day in the third quarter, up 35 percent from the previous three months, central bank data show.*

*Policy makers told parliament in October that they will probably lose more than $1 billion for a third year because dollars purchased to stop the won's advance earn less interest than the bonds sold to control money supply.*

*"Central banks are trying non-interest-rate methods to stabilize growth and capital flows," said Bank of Tokyo- Mitsubishi's Fullem. "It's something extraordinary. They haven't used these venues for a long time. It's sort of the last resort the central banks would like to tap."*

When push comes to shove, however, it is always a safe assumption that the powers-that-be will use the powers-they-have, which, thanks to the seismic shift in government thinking following

9/11 – namely that the ends now justify the use of literally any means – gives them license to do literally whatever they think is required to fix the situation.

Of course, when capital controls are announced, the official statement will make it clear that the moves are only temporary, and are being implemented in response to an imminent threat to our economy. Expect references, also, to “national security,” “terrorists” or even the old standby, “for the children,” if for no other reason than to make sure that all the current emotional hot buttons are covered.
A final piece of advice, from one of the Denver speakers: don’t diversify your funds to obvious tax havens, or faraway places… but rather to places that you like to visit.

> [For a wealth of ideas on nice places to visit and to safely invest your funds, take us up on our generous money-back guarantee to try out **Without Borders**. I can’t see that you have anything to lose by giving it a try. The latest edition will be published Tuesday, November 20… don’t miss it. Learn more now.]

## The 100-Pound Turkey

The Bank of England has gone on record as stating that inflation is not a concern and that, as a result, they might cut interest rates a further three times should that be required to head off the ill effects of the credit crunch.

But perhaps Mr. Mervyn King, the head of that august institution, has not been to the store lately?

I say that because the latest numbers out of that nation’s Office of National Statistics show that food inflation is running at the highest levels in 14 years.

On an annual basis, the increase in all the basic food stuffs amounts to 6%. And there are segments of the food chain where the inflation is much more noticeable. For instance, butter prices rose by 18% last month and milk rose by 12%, due to the removal of some price controls that allowed dairy products to adjust upwards to offset higher fuel and other costs.

And speaking of fuel, should the Brits wish to take a drive on the wrong side of the road, it will cost them over $8.00 a gallon for the gasoline to power them.

Underscoring the point, it was reported in the British press that the first-ever £100 Christmas turkey had been put on the shelves. That’s $204 for the bird alone, forget about the stuffing.

Of course, all of this is the inevitable result of the loose monetary policies of recent years on pretty much a global basis. As monetary inflation continues to move into the prices of “must have” sectors such as food and fuel, it could cause a knock-on effect for wage demands… after which point no amount of statistical jiggering will be able to cover up the problem.

But for now, as per Mr. King’s comments, the central banks are fighting a pitched battle against credit crisis… they’ll worry about inflation only when they are forced to do it.

By then gold, we expect, will be trading for well over $1,000 an ounce.

## Canadian Thanksgiving

Since we're on the topic of turkeys, I have a pop quiz for all you Canadians.
In the coming week, your neighbors to the immediate south will celebrate the holiday known as "Thanksgiving." I'll bet you know the basic storyline, you know, where the Pilgrims, that band of uptight prigs chased out of England, received sustenance from the unsuspecting Indians.

But, quick, what historical event is the genesis of the Canadian Thanksgiving holidays?

I'm asking because I happened to be in Vancouver this October just before the Canadian Thanksgiving, and I asked literally everyone I came across… from mining company executives to attractive baristas at the local espresso shops… the old, the young, and the in-between… and not a single person had the remotest idea of what historical event they were soon to celebrate on the three-day Canadian Thanksgiving.

Do you?

Okay, now you can google the answer…

## Shopping Season

My wife, who pays far closer attention to street level consumer trends than I, has been telling me over the past few weeks how she is seeing unprecedented levels of pre-holiday discounting.

In fact, she has brought the topic up again this week, with an exclamation such as "This is really odd... no one ever offers discounts of 30 or 40% across the board this far ahead of the holidays."

Her comments were penciled only faintly in a far corner of the right side of my cranium until this past Tuesday when the news came out that, thanks to this very same early discounting, Wal-Mart showed better-than-expected returns over the latest reporting period.

Yippee, the desperate trading herd cheered, rushing in to grab whatever straws it could... and sending the U.S. stock market strongly higher as a result.

Which brings to mind something I wrote a year or so ago about GM's promotion where you could buy a car at the same discounted price as paid by their employees. At the time, I mentioned that the even the poorest business program at a Tijuana diploma mill would teach that relying on deep discounts to boost revenues is a sure ticket to long-term problems. An opinion borne out by subsequent events.

So now we have retailers scrambling to discount ahead of the pack. Short-term, yippee! Longer-term, however, giving away the farm will, I am convinced, leave these same retailers without a farm.

Despite the truly remarkable optimism of the American consumer, the “can do” attitude that convinces them that maxing out their credit card with a $400 Bose clock radio is a good idea because the day after tomorrow they’ll land the big job or win the lottery or whatever, there is only so much juice left in the debt machine.

With the ratio of consumer debt to income at all-time highs, and the squeeze of higher long-term interest rates (set by the market, not the Fed) assuring that the ratio goes higher… combined with the pain retailers will suffer by having to pay higher prices for foreign-sourced goods… it’s a fairly safe bet at this point that those segments of the retailing sector relying on the lower-income strata for their sustenance is in for a rough patch.

The likelihood of recession is increasing every day, meaning the government will continue using its default solution for the situation – unleashing more and more money – to try and make it a soft landing. In the end, resulting in stagflation – a poor economy and high inflation – of the sort that gums up the economic works most significantly.

## Warren Buffet Is a Commie Jerk

Now this is truly rich.

> *WASHINGTON (Reuters) - Billionaire Warren Buffett on Wednesday endorsed the estate tax as a check on wealth accumulation, while two senior U.S. senators said they want the tax repealed.*
>
> *Revisiting a long-standing debate over the controversial tax, the Senate Finance Committee held a hearing where Chairman Max Baucus said he supports ending the estate tax, although he said he did not expect this to happen any time soon.*
>
> *"I think everyone in this room knows we're not going to repeal the estate tax. It's not going to happen in the foreseeable future," he said.*
>
> *The Montana Democrat was joined by Iowa Sen. Charles Grassley, the panel's top Republican, who said, "The estate tax is unjust. ... Death should not be a taxable event."*
>
> *But Buffett, the second-richest man in America after Bill Gates, according to Forbes magazine, said recent tax law changes have tended to benefit people like him.*
>
> *"Dynastic wealth, the enemy of a meritocracy, is on the rise. Equality of opportunity has been on the decline," Buffett said. "A progressive and meaningful estate tax is needed to curb the movement of a democracy toward plutocracy."*

I don’t own any shares in Berkshire Hathaway, but if I did, I’d hit the bid so fast it would make my keyboard catch fire.

For a couple of reasons.

First off, how is my passing my very hard-earned wealth to my children an "enemy of meritocracy"? The only people I can see being disadvantaged by that entirely rational act of evolutionary biology would be my heirs, because it would take away the satisfaction of earning that wealth for themselves. But how does that act hinder in any way, say, my next-door neighbor from rising through the corporate ranks by pursuing a personal course of diligent study and hard work?

And secondly, if I have played by the long list of rules and paid every tax throughout my career, starting with the very first paycheck I ever earned at 14 years old by risking permanent disfigurement from overheating radiators at the local gas station, then just how is it that the government is entitled to even a penny of the balance I might cross the finishing line with?

As for the "plutocracy," I know a lot of rich people who have become poor, and poor people who have become rich. It's the nature of a free market. In fact, there are entire industries built around separating the unintelligent wealthy from their easily gotten fortunes. (For proof of that, look no further than the $25,000 dessert discussed in this space last week.)

And what is Buffett's claim to expertise on this topic? Sure, he's an excellent investor. But is he also a student of macro-economics? Or is his testimony akin to Sean Penn commenting on foreign policy?

My favorite partner of all times, Mr. Doug Casey, has previously said that Buffett is an idiot savant… and I see no reason to disagree.

## Sheriff Sam to the Rescue!

Here's the setup.

Off the coast of Africa, a dilapidated North Korean freighter sneaks through the low fog toward the Syrian port of Tartus.

The mechanical throb of the ancient diesel engines is disrupted by eerie shouts echoing across the still water, followed by the roar of powerful engines. A small but deadly flotilla of Somali pirates emerge from the gloom, machine guns firing. The North Korean captain can see, standing in the lead boats, men with rocket launchers aimed at the steering cabin, directly at him, to be more specific.

Rather than risk immolation, he orders the engines to shut down. The ship is lost.

Or is it?

Not so fast… it's the U.S. Navy to the rescue!

[Rising patriotic music, a ray of light breaking through the gloom to shine on the U.S.S. World

Sheriff, a light destroyer armed to the teeth and cruising speedily through the water to the rescue.]

Guns blazing, the U.S. ship chases the pirates away and the North Korean vessel, its hold full of nuclear weapons parts buried under a load of old steel, continues on its merry way.

Far-fetched? Not at all. A very similar incident happened recently (not sure about the nuclear weapons part) and in recent talks with North Korea, the U.S. lead negotiator cheerfully offered to continue providing U.S. protection for that dysfunctional country's ships against pirates. And why not?

Probably as a result of being the sole man standing after World War II, the U.S. now has it firmly in its mind to be the world's sheriff… using our tax dollars and putting the lives of our children in harm's way to make the world a better, safer place for U.S. interests.

There are consequences. And one of the most important is now on display in the streets of Pakistan, where our deputy sheriff Musharraf is attempting to lock the place down. It is a risky gambit, with the blowback potentially being civil war or a takeover by military men on friendly terms with Islamists of the sort that think rushing to heaven in a cloud of nuclear smoke wouldn't be such a horrible thing, especially if they could take a billion infidel Indians with them.

Back in the U.S., Sheriff-in-Chief George Bush had some strong words for his puppet, saying that his instructions to Musharraf were "very plain, very easy to understand, and that is the United States wants you to have the elections as scheduled and take your uniform off."

Not looking forward to softening his touch and ending up hanging upside down over a cement floor while muscled minions of his successors play Pakistani Police Piñata with his torso, Musharraf thanked Mr. Bush for his suggestion and sat down to a nice lunch and a nap before calling out more troops.

For the record, to keep the Pakistani leader and his military cronies in line, the U.S. has been sending Musharraf $83 million of your tax dollars each month since 2001.

But that's a pittance compared to the final tally on this desire to be the world's cop. According to the U.S. Department of Defense, the U.S. military and all its various branches now possess "more than 600,000 individual buildings and structures, at more than 6,000 locations, on more than 30 million acres."

Among those installations, somewhere around 1,000 are located in 135 foreign countries.

Here is a list of the countries where U.S. taxpayers are currently paying to house troops.

Afghanistan, Albania, Algeria, Antigua, Argentina, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belgium, Belize, Bolivia, Bosnia and Herzegovina, Botswana, Brazil, Bulgaria, Burma, Burundi, Cambodia, Cameroon, Canada, Chad, Chile, China, Colombia, Congo, Costa Rica, Cote D'Ivoire, Cuba, Cyprus, Czech Republic, Denmark, Djibouti, Dominican Republic, East Timor, Ecuador, Egypt, El Salvador, Eritrea, Estonia,

Ethiopia, Fiji, Finland, France, Georgia, Germany, Ghana, Greece, Guatemala, Guinea, Haiti, Honduras, Hungary, Iceland, India, Indonesia, Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Laos, Latvia, Lebanon, Liberia, Lithuania, Luxembourg, Macedonia, Madagascar, Malawi, Malaysia, Mali, Malta, Mexico, Mongolia, Morocco, Mozambique, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, North Korea, Norway, Oman, Pakistan, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Senegal, Serbia and Montenegro, Sierra Leone, Singapore, Slovenia, Spain, South Africa, South Korea, Sri Lanka, Suriname, Sweden, Switzerland, Syria, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, United Arab Emirates, United Kingdom, Uruguay, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe.

The real cost, of course, is not in the weekly rent and payroll checks – or even in the steady flow of briefcases full of cash to the local satraps, but in the geopolitical consequences of all this meddling. That's because to be onside with the governments in many of these countries means being tacit supporters of brutal suppression of the not-so-loyal opposition.

Returning to events now unfolding in Pakistan, yesterday, figuratively speaking, the U.S. thought Musharraf was "the man," but then, if you credit press reports, they decided it was Benazir Bhutto who was "our gal." And now, well, who knows?

This from the *International Herald Tribune*…

> *Administration officials say they still hope that Negroponte can salvage the fractured arranged marriage between Musharraf and former Prime Minister Benazir Bhutto. But in Pakistan, foreign diplomats and aides to both leaders said the chances of a deal between the leaders were evaporating 11 days after Musharraf declared de facto martial law.*
>
> *Several senior administration officials said that with each day that passed, more administration officials were coming around to the belief that Musharraf's days in power were numbered and that the United States should begin considering contingency plans, including reaching out to Pakistan's generals.*

So, we are now in a position of attempting to slip around Musharraf's back to hand pick his successor -- in the process, apparently, giving short-shrift to Bhutto (and her many avid fans). And she will not be the only one unhappy at being overlooked… there will certainly be others in the Pakistani military feeling much the same way.

Of course, it could work out. But then again, maybe not. But regardless, one thing is for sure, the U.S. will alienate yet another swath of that populace.

Odd that China and Russia… or, for that matter, the French or Swedes don't seem compelled to deal themselves into this hand. Or to rush in to protect North Korean vessels halfway around the world. And really, why should they?

Before leaving the topic, there is a related matter in the news of late. That of the purportedly quick-triggered Blackwater guards in Iraq.

In the event that anyone hasn't quite figured it out, the size of its ambitions when compared against available resources has resulted in America being forced to employ a mercenary army to help manage its global turf.

And when you stick enough highly armed individuals in a place where death is imminent at any moment, around any corner, then tell them to protect their "client" at all costs... the sort of indiscriminate shooting in Iraq now coming to light is inevitable. Short of exiting the country wholesale, expect more of the same.

As for bringing the mercenaries to court, it's just not going to happen, because it would, overnight, cause the whole fragile situation to collapse. So, the politicians and bureaucrats will talk a lot about prosecutions, but in the end immunity will be handed around and the cozy relationship between the U.S. government and its armed enforcers will continue as before.

Not sure how well that news will be received by our supposed allies in Iraq.

What a mess.

## Surprise Sub

Consider the following my link of the week. It's a classic move in the global chess game playing out between the U.S. and China.

## A Question of Ownership

Did you see this? From the NY Times…

> *Judge Christopher A. Boyko of Federal District Court in Cleveland dismissed 14 foreclosure cases brought on behalf of mortgage investors, ruling that they had failed to prove that they owned the properties they were trying to seize.*
>
> *The pooling of home loans into securities has been practiced for decades and helped propel real estate prices in recent years as investors sought the higher yields that such mortgage trusts could provide. Some $6.5 trillion of securitized mortgage debt was outstanding at the end of 2006.*
>
> *But as foreclosures have surged, the complex structure and disparate ownership of mortgage securities have made it harder for borrowers to work out troubled loans, in part because they cannot identify who holds the mortgage notes, consumer advocates say.*

The implications of this ruling are fascinating. If not swiftly and successfully repealed, some number of strapped mortgagees can simply stop paying on their loans and no one will have the right to foreclose on them, because no one actually knows who owns the loan!

Curioser and curioser…

## Miscellany

- It was reported this week that, despite higher prices (or, perhaps, because of same) gold demand in the third quarter rose by a whopping 19% over the year earlier, off-taking 947 tonnes. The increased demand came from investment in gold ETFs and jewelry, which is treated as investment in many parts of the world. The increase in ETFs was especially eye-opening, with 138 tonnes bought up by those funds, versus 19.2 tonnes for the same period a year earlier.

  As we have often discussed, with prices set at the margin, it will be the increase in investment demand against largely static supplies that will keep gold moving higher.

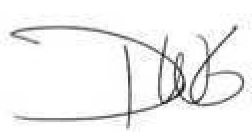
- This Sunday and Monday, November 18 and 19, is the San Francisco Hard Assets Conference. Our own Chief Economist Bud Conrad will be making a featured, albeit brief, presentation on Monday. If you have ever seen one of Bud's presentations, you know that (a) they are fascinating, and (b) there is no way he'll even get warmed up in the 20-minute spot allotted. In any event, if you happen to be in the area, check it out… and be sure to say hi to Bud and tell him you're a subscriber. Here's the link.

And that, dear readers, is it for this hectic week (last night, one of the kids engaged in the sport of projectile vomiting… scoring a perfect 10, as I judged it. Sleep was in short supply, so I apologize if my efforts here today were sub-par.)

As always, thank you for taking the time to read this weekly communication, and for being a Casey subscriber. The best folks in the world, I would tell anyone who asked.

(A quick final check of gold sees it teeter-tottering around the $790 level. My bet for Monday morning? Up.)

Until next week…



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